

VETERANS MULTI-SERVICE CENTER, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022

VETERANS MULTI-SERVICE CENTER, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

***Board of Directors
Veterans Multi-Service Center, Inc.
Pennsylvania, Pennsylvania***

Opinion

I have audited the accompanying financial statements of the ***Veterans Multi-Service Center, Inc.***, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ***Veterans Multi-Service Center, Inc.***, as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the ***Veterans Multi-Service Center, Inc.***, and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VMC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the **Veterans Multi-Service Center, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Veterans Multi-Service Center, Inc.'s** ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analyses and is not a required part of the financial statements. The accompanying schedules of Reconciliation of Agency Reported Expenditures / Revenues to Audited Expenditures / Revenues for contracts administered by the City of Philadelphia's Office of Homeless Services are presented for purposes of additional analyses 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 audit 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 my opinion, the schedule of expenditures of federal awards 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*, I have issued my report dated December 15, 2022, on my consideration of VMC's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VMC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VMC's internal control over financial reporting and compliance.

Robert F. Burack, RPC, LLC

ROBERT F. BUROCK, RPC, LLC

Bala Cynwyd, Pennsylvania
December 15, 2022

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets:

Cash and equivalents	\$ 1,768,559
Grants and contracts receivable	1,147,587
Prepaid expenses	129,560
Other receivables	103,732
Pledges receivable	<u>55,249</u>
Total current assets	<u>3,204,687</u>

Fixed assets:

Land	175,000
Building	1,867,765
Building improvements	286,067
Leasehold improvements	116,484
Vehicles	407,882
Equipment	<u>134,795</u>
Total fixed assets (cost)	2,987,993
Less: accumulated depreciation	<u>1,785,172</u>
Total fixed assets (net)	<u>1,202,821</u>

Other assets:

Note receivable	541,216
Security deposits	24,750
Artwork	<u>17,000</u>
Total other assets	<u>582,966</u>

TOTAL ASSETS **\$ 4,990,474**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 222,071
Accrued payroll and related taxes	271,284
Deferred income	273,553
Mortgages payable	29,964
Other payables	<u>21,766</u>
Total current liabilities	<u>818,638</u>

Long-term liabilities:

Mortgages payable	<u>669,413</u>
Total long-term liabilities	<u>669,413</u>

Other liabilities:

Security deposits held in escrow	<u>18,400</u>
Total other liabilities	<u>18,400</u>

Total liabilities	<u>1,506,451</u>
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Net assets:

Without donor restrictions:	
Undesignated	3,193,052
With donor restrictions	<u>290,971</u>
Total net assets	<u>3,484,023</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,990,474</u>
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VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT:</u>			
U. S. Government program grant awards	\$ -	\$ 13,208,697	\$ 13,208,697
Contributions	387,226	171,353	558,579
Program administration fees	-	532,259	532,259
In-kind contributions	425,182	-	425,182
Rental income	240,400	-	240,400
Fund-raising	216,293	-	216,293
Resident fees	102,664	-	102,664
Other income	64,326	-	64,326
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>14,242,349</u>	<u>(14,242,349)</u>	<u>-</u>
Total revenues	<u>15,678,440</u>	<u>(330,040)</u>	<u>15,348,400</u>
<u>EXPENSES:</u>			
<i>Program Services:</i>			
Homeless Veteran Programs	12,887,618	-	12,887,618
Employment and Training Programs	<u>648,170</u>	<u>-</u>	<u>648,170</u>
Total program services	<u>13,535,788</u>	<u>-</u>	<u>13,535,788</u>
<i>Supporting Services:</i>			
Management and general	1,369,071	-	1,369,071
Fund-raising	<u>339,997</u>	<u>-</u>	<u>339,997</u>
Total supporting services	<u>1,709,068</u>	<u>-</u>	<u>1,709,068</u>
Total expenses	<u>15,244,856</u>	<u>-</u>	<u>15,244,856</u>
Change in net assets	433,584	<u>(330,040)</u>	103,544
Net assets - Beginning of year	<u>2,759,468</u>	<u>621,011</u>	<u>3,380,479</u>
Net assets - End of year	<u>\$ 3,193,052</u>	<u>\$ 290,971</u>	<u>\$ 3,484,023</u>

See accompanying notes to financial statements.

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<i>Program Services</i>			<i>Supporting Services</i>			
	<u>HOMELESS VETERAN PROGRAMS</u>	<u>EMPLOYMENT AND TRAINING PROGRAMS</u>	<u>TOTAL PROGRAMS</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND-RAISING</u>	<u>TOTAL SUPPORT</u>	
EXPENSES:							
Salaries	\$ 4,977,997	\$ 415,406	\$ 5,393,403	\$ 196,117	\$ 175,263	\$ 371,380	\$ 5,764,783
Payroll taxes	412,822	34,740	447,562	27,686	13,234	40,920	488,482
Employee fringe benefits	651,768	46,711	698,479	32,133	23,700	55,833	754,312
Program costs	5,497,753	82,062	5,579,815	63,372	33,353	96,725	5,676,540
Rental expenses	319,221	18,168	337,389	90,036	-	90,036	427,425
In-kind program costs	-	-	-	425,182	-	425,182	425,182
Professional	182,580	8,884	191,464	109,512	84,999	194,511	385,975
Office and telephone	182,379	9,060	191,439	89,633	1,367	91,000	282,439
Sub-contractors	205,200	-	205,200	-	-	-	205,200
Building maintenance	90,414	9,169	99,583	79,824	149	79,973	179,556
Vehicle fleet maintenance	122,416	5,819	128,235	48,786	-	48,786	177,021
Insurance	126,332	4,427	130,759	43,174	2,879	46,053	176,812
Bad debt expense	-	-	-	95,316	-	95,316	95,316
Depreciation	66,564	-	66,564	7,617	-	7,617	74,181
Travel	52,172	13,724	65,896	2,873	-	2,873	68,769
Interest expense	-	-	-	41,208	-	41,208	41,208
Other	-	-	-	16,602	5,053	21,655	21,655
Total expenses	\$ <u>12,887,618</u>	\$ <u>648,170</u>	\$ <u>13,535,788</u>	\$ <u>1,369,071</u>	\$ <u>339,997</u>	\$ <u>1,709,068</u>	\$ <u>15,244,856</u>

See accompanying notes to financial statements.

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:

Grant and contract income	\$ 13,932,626
Contributions	568,726
Rental income	189,880
Fund-raising	182,449
Resident fees	96,241
Other income	11,737
Cash paid for salaries, payroll taxes, and fringe benefits	(6,980,392)
Cash paid for programs	(6,856,329)
Cash paid for operations	(564,084)
Fund-raising	(127,800)
Interest expense	(<u>41,208</u>)

Net cash provided by operating activities 411,846

Cash flows from financing activities:

Repayment of Paycheck Protection Program loan	(555,497)
Repayment of mortgage principal	(<u>28,350</u>)
Net cash (used) by financing activities	(<u>583,847</u>)

Cash flows from investing activities:

Purchase of capitalized fixed assets	(<u>208,608</u>)
Net cash (used) by investing activities	(<u>208,608</u>)

Net change in cash (380,609)

Cash and equivalents – July 1, 2021 2,149,168

Cash and equivalents – June 30, 2022 \$ 1,768,559

Non-Cash Transactions:

In-kind contributions	\$ <u><u>425,182</u></u>
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See accompanying notes to financial statements.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – NATURE OF ACTIVITIES

The Veterans Multi-Service Center, Inc., (VMC) was founded in 1980 by Vietnam Veterans, to advance the cause of Veterans by providing services, innovative programs, opportunities, and advancement for Veterans of the U.S. military and their families. Its programs have grown to serve over 6,500 Veterans and families annually throughout central and eastern Pennsylvania, and the tri-state area. These services include outreach, counseling, job training and employment assessments, housing, transitional living, and supportive services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and policies followed by the **Veterans Multi-Service Center, Inc.**, are presented to assist the user in the evaluation of the financial statements and other data in this report.

Basis of Presentation: VMC has applied *Accounting Standards Update (ASU) 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and the availability of resources, and consistency in the type of information provided about expenses and investment return. The guidance requires expenses to be reported by both their natural and functional classification in one location, the statement of functional expenses.

Basis of Accounting: The financial statements are prepared under the accrual basis of accounting, which recognizes revenues as earned, regardless of when they are received, and expenses as incurred, regardless of when they are paid. This is in accordance with generally accepted accounting principles.

Tax Status: VMC is organized as a non-profit charitable institution incorporated in the Commonwealth of Pennsylvania. VMC has been granted an exemption from federal corporate income taxes under section 501(c)(3) of the *Internal Revenue Code*. Accordingly, the financial statements have no provision for income taxes. VMC follows the guidance of Accounting Standards Codification 740, Income Taxes, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. VMC believes it has taken no significant uncertain tax positions.

Grants, contracts, fund-raising, and contributions: The *Organization* is the recipient of grants and contracts with federal, state, and local governments, along with foundations and agencies to provide services for veterans and their families. Often these amounts are earmarked as to services to be provided. Fund-raising activities complement these programs by adding funds for overall operations.

Contributions of cash and in-kind services are received by VMC as unconditional or with restrictions imposed by donors. Contribution income is recognized at the time of receipt. Contributions with restrictions are maintained until conditions are satisfied.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

In-kind contributions: Donations of food products, housing supplies, other types of program-related needs, and media public service announcements were received by VMC without restrictions and totaled \$425,182 during the fiscal year.

Cash and Equivalents: VMC considers all cash accounts available for current use with an initial maturity under 90-days to be cash equivalents.

Unconditional Promises to Give: Donors pledge to support the operations of VMC through the annual Radiothon and other fund-raising activities. Income related to these pledges is recognized as income in the year the pledges are committed.

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 the 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 reporting period. Actual results may differ from these estimates, and the differences may be material.

Functional Allocation of Expenses: Directly identifiable expenses are charged to specific programs and support services. Expenses related to more than one program or function are charged based on time and relative cost. Management and general expenses are those that are not directly identifiable with any specific function but provide for the overall support and direction of the *Organization*. Accordingly, certain costs have been allocated to program and support services, as illustrated in the statement of functional expenses.

Prepaid Expenses: Goods and services purchased before their use are called "*Prepaid assets*." This category consists of unexpired insurance premiums, which benefit future months, and software licensing agreements, which extend into the following fiscal year. The asset balance will be reclassified as an expense upon the passage of time.

Fixed Assets: Purchased or constructed fixed assets are recorded at cost. Donated assets are recorded at their fair market value (FMV) on the date of contribution. Fixed assets are depreciated on the straight-line method of depreciation over their estimated useful lives. The building and improvements are being depreciated over 10 – 40 years. Equipment and vehicles are being depreciated between 3 and 7 years.

Major renovations and betterments that extend the useful lives of the property and equipment are capitalized and depreciated over these estimated useful lives. Routine costs of maintenance and repairs are expensed in the period incurred.

Deferred Income: Award amounts with program requirements imposed by the grantor and received in advance of services being rendered are referred to as deferred income, which is a liability to the *Organization*. As services are rendered in the future, income will be recognized and the liability will be reduced, accordingly.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Net Assets: Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the *Organization*, and changes therein, may be classified and reported as:

Without Donor Restrictions – These are resources that are not subject to donor-imposed restrictions. The board of directors has discretionary control to appropriate some funds for designated purposes.

With Donor Restrictions – These resources are provided with stipulations for them to be used for specific purposes or by the passage of time.

Long-lived Assets Capitalization Policy: Expenditures for tangible assets with a life expectancy greater than one year are capitalized if their cost exceeds certain pre-defined cost amounts. The *Organization* has designated a capitalization policy amount of \$5,000.

Revenue Recognition: The *Organization* recognizes income from government grants with guidance from Accounting Standards Codification (ASC) 606 – Revenue from Contracts with Customers. The code defines revenues as being subject to non-exchange and exchange-related transactions with funding sources.

Non-exchange agreements consist of program funding by a government entity, foundation, or another party with the award amount being designated for a specific purpose. These arrangements are considered contributions from the grantor as there is no benefit bestowed upon the grantor. Income is recognized as expenses are incurred in accordance with the grant award provision.

Exchange transactions occur when the award recipient is expected to provide the grantor with equal consideration of the amount received. Such consideration is evidenced by the resident fees the *Organization* receives from LZII and Walker House.

Advertising: Advertising costs are expensed when incurred as they are not part of a long-term promotional campaign.

Date of Management Review: The *Organization* evaluated its June 30, 2022, financial statements for subsequent events through December 15, 2022, the date of this report, and has determined there are no reportable situations to be included in this report.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CASH AND EQUIVALENTS

VMC considers all commercial checking accounts available for current use with an initial maturity of fewer than 90-days to be cash equivalents.

Balances stated at fair value, include:

Cash – Interest-bearing demand deposits	\$ <u>1,768,559</u>
Total cash and equivalents	\$ <u>1,768,559</u>

Cash equivalents consist of commercial checking and interest-bearing money market accounts.

Cash balances include deferred income funds received in advance of services, which totaled \$273,553 on June 30, 2022.

NOTE 4 – FIXED ASSETS

Fixed assets as of the fiscal year end were as follows:

Land	\$ 175,000
Building	1,867,765
Building improvements	286,067
Leasehold improvements	116,484
Vehicles	407,882
Equipment	<u>134,795</u>
Total fixed assets (cost)	2,987,993
Less: Accumulated depreciation	<u>1,785,172</u>
Fixed assets (net)	\$ <u>1,202,821</u>

Fixed assets are tangible properties used in the operations of a business, but which are not expected to be consumed or converted into cash in the ordinary course of events. Buildings, improvements, machinery and equipment, and vehicles comprise the fixed assets of many organizations. They are considered “fixed” or “permanent” in that they will benefit an organization for more than one fiscal year. Their “cost” or “basis” is depreciated over the estimated useful lives of the assets.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Donated equipment is recorded at its fair market value (FMV) on its date of contribution. Major renovations and betterments that extend the useful lives of the property and equipment are capitalized and depreciated over these estimated useful lives. Routine costs of maintenance and repairs are expensed in the period incurred.

Expenditures for tangible assets with a life expectancy greater than one year are capitalized if their cost exceeds \$5,000. Individual parts with bases less than \$5,000, that exceed this amount in the aggregate, may be capitalized as fixed assets. Procurements under \$5,000 are expensed as period costs.

All fixed assets are being depreciated by the straight-line method for financial statement reporting purposes. Depreciation expense for the year was \$74,181.

NOTE 5 – NOTE RECEIVABLE

The *Organization* has an outstanding long-term note receivable balance of \$541,216 on June 30, 2022. *VMC* participated in the renovation of the former Edison High School under the “Edison 64 Project” to provide low-income housing to the community. *VMC* received grant awards from a prominent commercial company during 2018 – 2019 totaling \$500,000, which in turn was used in the renovation project.

The note accrues interest income at 2.0% per annum through its maturity in December 2047. Interest earned in fiscal year 2022 was \$10,612. The note balance will accrue to approximately \$888,000 by its 2047 maturity date. The note is collateralized by the Edison property.

VMC is a minority shareholder in the Edison 64 Project.

NOTE 6 – DEFERRED INCOME

Money received in advance of services being rendered is referred to as deferred income, a current liability. The *Organization* received a grant award payment in full at the inception of the contract although it was not fully earned by June 30, 2022. Also, the foundation awards not yet satisfied as of June 30, 2022, combine for a deferred income balance of \$273,553. As services are rendered in the future, income will be earned, and the liability will be reduced to zero.

NOTE 7 – MORTGAGES PAYABLE

The *Organization* had two outstanding mortgages on June 30, 2022:

Mortgage One -

A mortgage obligation for a \$485,000 loan was obtained from a local bank on September 1, 2018. The interest rate is fixed at 4.60% with a monthly payment of \$3,104. The loan is collateralized by the building and its improvements. There is no prepayment penalty clause.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The current and long-term balances on June 30, 2022, were \$18,151 and \$405,370, respectively, for a combined balance of \$423,521. A balloon payment of \$366,471 is due in August 2026.

Mortgage Two -

The second mortgage obligation pertains to a \$315,000 loan obtained from the same local bank on October 1, 2018. The interest rate is fixed at 4.60% with a monthly payment of \$2,021. The loan is collateralized by the assignment of leases and rental income, and a right of setoff with other account balances held by the lender. A prepayment penalty exists if paid in full during the first 5-years of the loan. A one percent prepayment penalty will be charged if paid before September 2023. No penalty will be charged beyond that date to maturity in September 2025.

The current and long-term balances on June 30, 2022, were \$11,813 and \$264,043, respectively, for a combined balance of \$275,856. A balloon payment of \$236,509 is due in September 2025.

The combined mortgage balances on June 30, 2022, were:

	<u>One</u>	<u>Two</u>	<u>Totals</u>
Current	\$ 18,151	\$ 11,813	\$ 29,964
Long-term	<u>405,370</u>	<u>264,043</u>	<u>669,413</u>
TOTALS	\$ <u>423,521</u>	\$ <u>275,856</u>	\$ <u>669,377</u>

The mortgage debt principal repayments for the five years succeeding June 30, 2022, are as follows:

<u>Fiscal Year-Ended</u>	<u>Annual Maturity</u>
June 30, 2023	\$ 29,964
June 30, 2024	31,371
June 30, 2025	32,845
June 30, 2026	605,197

NOTE 8 – LINE OF CREDIT

The *Organization* has a secured line of credit with a Philadelphia area bank for \$300,000 at an interest rate of prime +0.5%. Collateral for the line is the assets of VMC and future rental income. The line was renewed on April 26, 2022, for a one-year term. There was no balance as of June 30, 2022.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – COMPENSATED ABSENCES

VMC does not recognize a liability for accrued vacation and personal pay. The *Organization* administers a policy that personal time is to be used before the fiscal year-end or it will be lost. Therefore, no liability is accrued as of the fiscal year-end.

NOTE 10 – PENSION PLAN

The *Organization* participates in a 401(k) Profit Sharing Plan for its employees. The plan offers a 4% contribution based on an employee's compensation. The plan's eligibility requirements are at least 21 years of age and one (1) year of service, defined as a period of twelve (12) consecutive months during which an employee has worked from their hire date to their first-anniversary date. Entry dates for participating in the plan are January 1st and July 1st.

Plan contributions in the fiscal year that ended June 30, 2022, totaled \$132,324.

NOTE 11 – NET ASSETS

Net Assets Without Donor Restrictions are those available for general use by the *Organization* and are not subject to donor-imposed restrictions. This supporting category includes the tasks necessary to secure the proper administrative functioning of the organization, maintain an adequate work environment, and manage the financial responsibilities of VMC. Occasionally, the board of directors may earmark undesignated net assets for particular purposes and objectives.

Net Assets With Donor Restrictions are subject to donor-imposed stipulations that will be met either by actions of the organization and / or the passage of time. These balances represent the unexpended portion of donor-restricted grants and contributions to be used for specific programs and activities as directed by donors.

Net assets consist of the following:

Without donor restrictions:

Undesignated net assets	\$ <u>3,193,052</u>
Total without donor restrictions	<u>3,193,052</u>

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

With donor restrictions:

New Day grant award	\$ 207,682
Foundation grant awards	65,871
Fiduciary Money Management Program	<u>17,418</u>
Total net assets with donor restrictions	<u>290,971</u>

TOTAL NET ASSETS \$ 3,484,023

NOTE 12 – NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2022, restrictions on grants and contributions of \$14,242,349 expired or were otherwise satisfied by VMC's expenditures in fulfillment of the designated purposes, or by the occurrence of other events specified by donors. Accordingly, a corresponding amount is reported as a reclassification from net assets with donor restrictions to net assets without donor restrictions in the accompanying statement of activities.

NOTE 13 – RELATED PARTY TRANSACTIONS

VMC has been involved in the development of the "Edison 64 Project" along with 700 Somerset Partners, LP. Both organizations were involved in the maintenance of the project facilities and incurred costs on behalf of the Project. VMC has a receivable of \$84,040 from 700 Somerset Partners, LP, as of June 30, 2022, primarily for payment of security services by VMC. Both organizations have an equity interest in the Veterans Multi-Service Edison.

A lawsuit has been filed by the security firm hired to provide protection services at the facility. See Note 16 for more information.

NOTE 14 – MINIMUM LEASE COMMITMENTS

VMC utilizes real estate, vehicle, and equipment rentals in its operations. These are often long-term leases ranging from one to five years. The future minimum lease payments over the next five years are as follows on June 30, 2022:

<u>Fiscal Year-Ending</u>	<u>Lease Commitments</u>
June 30, 2023	\$ 370,531
June 30, 2024	300,937
June 30, 2025	266,489
June 30, 2026	211,160
June 30, 2027	282,485

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Combined lease expenses for the year totaled \$427,425.

The *Organization* operates part of its VA Grant and Per Diem Program – SITH at the VA Hospital in Coatesville, Pennsylvania. The program has been in existence for about 15 years. The last billed monthly rental of the VA facility was approximately \$27,000 in March 2020. The VA discontinued charging for facility usage at that time due to the uncertainty of COVID and its effects on VMC operations. The VA continues to waive this rental fee through the date of this report.

The VA has indicated it will not renew its lease to VMC effective March 31, 2022. The program is expected to be discontinued at that time.

NOTE 15 – RENTAL AGREEMENT

The VA Hospital in Philadelphia rented clinical and office space from VMC's facility at 213 – 217 North Race Street in Philadelphia. The lease expired on September 30, 2022, but was renewed for one year through September 30, 2023. Rental income earned in the fiscal year 2022 was \$185,880.

NOTE 16 – LEGAL

VMC has been named as a co-defendant along with 700 Somerset Partners, LP, and the Veterans Multi-Service Center Edison in a lawsuit brought against them by the former security service at Edison 64 Project. The plaintiff has filed for payment of outstanding service fees of approximately \$78,000. VMC is represented by counsel through its insurance carrier.

NOTE 17 – PAYCHECK PROTECTION PROGRAM

VMC received Paycheck Protection Program funding of \$1,165,630 in fiscal year 2020. VMC was granted forgiveness of \$516,658 by the Small Business Administration (SBA) in fiscal year 2021. The balance of the loan was paid in full during fiscal year 2022.

NOTE 18 – COMMITMENTS

VMC is not a party to any contract commitments extending beyond one-year other than rental agreements summarized in note 14.

NOTE 19 – SUBSEQUENT EVENTS

The *Organization* has evaluated events and transactions occurring after June 30, 2022, for potential recognition and disclosure in these financial statements as of December 15, 2022, the date of issuance of this report. No reportable activities have been noted after the close of the fiscal year.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 20 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available and anticipated for general expenditure within one year of the statement of financial position date comprise the following on June 30, 2022:

Available and anticipated assets without donor restrictions:

Cash and equivalents	\$ 1,768,559
Grants and other receivables	1,306,568
Contract revenues and program fees	13,036,310
Contributions	565,000
Fund-raising	265,000
Rental income	185,880
Resident fees	52,500
Other income	5,000
Less: Current liabilities	(<u>545,085</u>)
Available and anticipated cash resources	<u>16,639,732</u>
Budgeted costs for 2022 – 2023 fiscal year	14,096,673
Less: non-cash expenditures such as depreciation	(<u>86,604</u>)
Anticipated cash needs	<u>14,010,069</u>
Expected cash surplus at 06-30-2023	\$ <u>2,629,663</u>

As part of its liquidity management, VMC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Single Audit Reporting

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor and Pass-Through Agency</u>	<u>AL No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>
<i>U. S. Department of Veterans Affairs</i>				
COVID – 19 – Supportive Services for Veteran Families Program	64.033	-	10-01-2020 to 09-30-2021	\$ 205,592
		-	07-01-2021 to 06-30-2022	3,681,745
		-	10-01-2020 to 09-30-2023	<u>294,498</u>
Total – COVID 19 – Supportive Services for Veteran Families Program				<u>4,181,835</u>
Supportive Services for Veteran Families Program	64.033	-	10-01-2020 to 09-30-2021	1,364,375
		-	10-01-2021 to 12-31-2021	1,614,810
		-	10-01-2021 to 06-30-2022	1,241,604
		-	09-01-2021 to 09-30-2023	58,168
		-	09-30-2021 to 09-30-2023	<u>295,400</u>
Direct - Supportive Services for Veteran Families Program				<u>4,574,357</u>
Total Supportive Services for Veteran Families Program				<u>8,756,192</u>
Homeless Providers Grant and Per Diem Program	64.024	-	10-01-2020 to 09-30-2021	100,445
		-	10-01-2020 to 09-30-2021	375,995
		-	10-01-2021 to 09-30-2022	301,972
		-	10-01-2021 to 09-30-2022	1,295,158
		-	03-04-2021 to 10-31-2021	<u>99,652</u>
Total Homeless Providers Grant and Per Diem				<u>2,173,222</u>
<i>Total U. S. Department of Veterans Affairs</i>				<u>10,929,414</u>

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor and Pass-Through Agency</u>	<u>AL No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>
<i>U. S. Department of Housing and Urban Development</i>				
Continuum of Care Program	14.267	-	01-01-2021 to 12-31-2021	156,697
Continuum of Care Program			01-01-2022 to 12-31-2022	119,728
Pass-Through City of Philadelphia's Office of Homeless Services:				
Continuum of Care Program		PA0072L3T002013	04-01-2021 to 03-31-2022	455,565
Continuum of Care Program		PA8656L3T001901	05-01-2021 to 04-30-2022	293,917
Continuum of Care Program		PA0072L3T002114	04-01-2022 to 03-31-2022	136,140
Continuum of Care Program		PA0865L3T002002	05-01-2022 to 04-30-2023	<u>50,795</u>
<i>Total U. S. Department of Housing and Urban Development</i>				<u>1,212,842</u>
<i>U. S. Department of Labor</i>				
Homeless Veterans Reintegration Program	17.805	-	07-01-2020 to 06-30-2021	21,337
		-	07-01-2021 to 06-30-2022	<u>624,596</u>
<i>Total U. S. Department of Labor</i>				<u>645,933</u>
<i>U. S. Department of Health and Human Services</i>				
Pass-Through Commonwealth of Pennsylvania's Department of Military and Veterans Affairs	93.788	DMVA-2020-0101	09-30-2020 to 09-29-2021	100,411
		DMVA-2021-095	09-30-2021 to 06-30-2023	<u>296,583</u>
<i>Total U. S. Department of Health and Human Services</i>				<u>396,994</u>
Total Expenditures of Federal Awards				\$ <u>13,185,183</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 – PURPOSE OF THE SCHEDULE

The accompanying *Schedule of Expenditures of Federal Awards (Schedule)* is presented for purposes of additional analyses as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A summary of the *Organization's* significant accounting policies and related information is provided below to assist the reader in interpreting the information presented in the *Schedule*.

Basis of Presentation – The information in the accompanying *Schedule* is presented under the accrual basis of accounting in accordance with the requirements of the Uniform Guidance. As the *Schedule* presents only a selected portion of the operations of the *Organization*, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the *Organization*.

Federal Financial Assistance – According to the Single Audit Act and Amendments and the Uniform Guidance, federal financial assistance is defined as assistance that non-federal organizations receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The *Organization* received federal financial assistance for supportive services for housing and employment and training.

Assistance Listing (AL) – The *Schedule* presents total expenditures for each federal financial assistance program as identified in the AL. The catalog is a compendium of federal programs, projects, services, and activities administered by departments and establishments of the federal government. Programs included in the catalog are assigned a five-digit program identification number (AL number). The first two digits of the AL number designate the federal agency and the latter three digits designate the federal assistance program within the federal agency.

Major Programs – The Single Audit Act and Uniform Guidance established a risk-based approach for defining major federal financial assistance programs. The *Organization* had multiple federal funding sources, one of which has been designated as a major program for the fiscal year that ended June 30, 2022. That program was AL Number 64.033, the Veterans Administration's Supportive Services for Veteran Families Program.

Functional Allocation of Expenses – Directly identifiable expenses are charged to specific programs and support services. Expenses related to more than one program or function are charged based on time and relative cost. Management and general expenses are those that are not directly identifiable with any specific function but provide for the overall support and direction of the *Organization*. Accordingly, certain costs have been allocated to program and support services, as illustrated in the statement of functional expenses.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Indirect cost rate – VMC elected to not use the Federally allowed 10% de minimis indirect cost rate of overhead to recover allowable indirect costs to its programs.

Pass-through Federal Financial Assistance – The *Organization* received federal financial assistance indirectly from pass-through entities. A pass-through entity is defined as a non-federal entity that provides federal assistance to a sub-recipient. The pass-through entities are the *City of Philadelphia's Office of Homeless Services, and the Commonwealth of Pennsylvania's Department of Military and Veterans Affairs.*



INDEPENDENT AUDITOR'S 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

***Board of Directors
Veterans Multi-Service Center, Inc.
Pennsylvania, Pennsylvania***

I 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 ***Veterans Multi-Service Center, Inc.***, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the ***Veterans Multi-Service Center, Inc.'s*** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ***Veterans Multi-Service Center, Inc.'s*** internal control. Accordingly, I do not express an opinion on the effectiveness of the ***Veterans Multi-Service Center, Inc.'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.

My consideration of the 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001, which I consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Veterans Multi-Service Center, Inc.'s** financial statements are free from material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 costs as Finding 2022-001.

Veterans Multi-Service Center, Inc.'s Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the **Veterans Multi-Service Center, Inc.'s** response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The **Veterans Multi-Service Center, Inc.'s** response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, I express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of my 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.

Robert F. Burack, RPC, LLC

ROBERT F. BUROCK, RPC, LLC

Bala Cynwyd, Pennsylvania
December 15, 2022



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

***Board of Directors
Veterans Multi-Service Center, Inc.
Pennsylvania, Pennsylvania***

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the ***Veterans Multi-Service Center, Inc.'s*** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the ***Veterans Multi-Service Center, Inc.'s*** major federal programs for the year ended June 30, 2022. The ***Veteran Multi-Service Center, Inc.'s*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the ***Veterans Multi-Service Center, Inc.***, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the **Veterans Multi-Service Center, Inc.**, and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the **Veterans Multi-Service Center, Inc.'s** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the **Veterans Multi-Service Center, Inc.'s** federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the **Veteran Multi-Service Center, Inc.'s** compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the **Veterans Multi-Service Center, Inc.'s** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the **Veterans Multi-Service Center, Inc.'s** compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.

- Obtain an understanding of the **Veterans Multi-Service Center, Inc.’s** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the **Veterans Multi-Service Center, Inc.’s** internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2022-002. My opinion on each major federal program is not modified with respect to these matters.

The **Veterans Multi-Service Center, Inc.** is responsible for preparing a corrective action plan to address audit findings included in my auditor’s report. The **Veterans Multi-Service Center, Inc.’s** corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on it.

Report on Internal Control over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, as discussed below, I did identify a deficiency in internal control over compliance that I consider to be a significant deficiency.

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 a 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 a 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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2002-002 to be a significant deficiency.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the **Veterans Multi-Service Center, Inc.'s** response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The **Veterans Multi-Service Center, Inc.'s** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

Robert F. Burack, RPC, LLC

ROBERT F. BUROCK, RPC, LLC

Bala Cynwyd, Pennsylvania
December 15, 2022

**VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

- 1) Type of auditor’s report: Unmodified
- 2) Internal control over financial reporting:
- Material weakness identified? yes X no
 - Significant deficiency identified X yes no
- 3) Noncompliance material to financial statements noted? yes X no

Federal Awards

- 1) Internal control over major federal programs:
- Material weakness identified yes X no
 - Significant deficiency identified? X yes no
- 2) Type of auditor’s report issued on compliance for major federal programs Unmodified
- 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of Major Federal Program

CFDA / AL Number

64.033

Name of Federal Program

US Department of Veteran Affairs –
VA Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between Type A and Type B programs

Type A - \$750,000

Auditee qualified as a low-risk auditee? yes X no

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section II – Financial Statement Findings

Finding 2022-001 Late Submission of Data Collection Form

Type of finding: Significant deficiency
Questioned costs: None

Criteria: A well-designed system of internal control is necessary to place reliance on the operation of an entity and the reporting of its financial results. Controls must exist for the day-to-day transactions that occur as well as the necessary periodic reporting to funding sources, lenders, governments, and other mandated requirements.

The Data Collection Form must be filed electronically with the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: The Data Collection Report had not been filed on a timely basis for the previous fiscal year ended June 30, 2021. The audit report was dated March 28, 2022, but the Data Collection Form was not filed by the auditor until October 2022, more than six months after its due date of March 31, 2022.

Cause: The internal accounting function relied on its auditor to file the Data Collection Form on time and was not aware of its delinquent status.

Effect or Potential Effect: Failure to make a timely filing may result in draw-down restrictions, withholding of a percentage of federal funds, suspension of federal funds, or termination of grant awards. Furthermore, VMC will be regarded as a high-risk auditee for the next two years.

Recommendation: VMC needs to include this filing requirement in its calendar of reporting responsibilities. Executive administration and accounting personnel must coordinate this responsibility as a cross-check for sound reporting practices.

Management's Response and Corrective Action Plan:

VMC's "Accounting Policies & Procedures Manual" has been updated to include this financial requirement.

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section III – Major Federal Programs

Finding 2022-002 Late Submission of Data Collection Form

Type of finding: Significant deficiency
Questioned costs: None

Criteria: Organizations required to have a Single Audit should have sound internal controls of operations to safeguard assets and to provide reliable financial reporting. A reporting byproduct of these internal controls is the filing of the Data Collection Form with the Federal Audit Clearinghouse, which is due within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: The Data Collection Report had not been filed on a timely basis for the previous fiscal year ended June 30, 2021. The audit report was dated March 28, 2022, but the Data Collection Form was not filed until October 2022, more than six months after its due date of March 31, 2022

Cause: The internal accounting function relied on its auditor to file the Data Collection Form on time and was not aware of its delinquent status.

Effect or Potential Effect: Failure to make a timely filing may result in draw-down restrictions, withholding of a percentage of federal funds, suspension of federal funds, or termination of grant awards. Furthermore, they will be regarded as a high-risk auditee for the next two years.

Recommendation: VMC needs to include this filing requirement in its calendar of reporting responsibilities. Executive administration and accounting personnel must coordinate this responsibility as a cross-check for sound reporting practices.

Management's Response and Corrective Action Plan:

VMC's "Accounting Policies & Procedures Manual" has been updated to include this financial requirement.

City of Philadelphia Reporting

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NO. 21-20805
HUD CONTINUUM OF CARE - GRANT PA0072L3T002013
RECONCILIATION OF AGENCY REPORTED EXPENDITURES / REVENUES
TO AUDITED EXPENDITURES / REVENUES
GRANT PERIOD APRIL 1, 2021, THROUGH MARCH 31, 2022

	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
<u>Budget Categories</u>			
Personnel services:			
Salaries	\$ 75,669	\$ -	\$ 75,669
Fringe benefits	<u>16,979</u>	<u>-</u>	<u>16,979</u>
Total personnel costs	<u>92,648</u>	<u>-</u>	<u>92,648</u>
Participant expenses:			
Rental assistance	<u>363,626</u>	<u>-</u>	<u>363,626</u>
Total participant expenses	<u>363,626</u>	<u>-</u>	<u>363,626</u>
Total OSH contract expenditures	<u>456,274</u>	<u>-</u>	<u>456,274</u>
City of Philadelphia OHS:			
Total OHS funding	<u>455,565</u>	<u>-</u>	<u>455,565</u>
Excess expenditures over contract funding	(\$ <u>709</u>)	\$ <u>-</u>	(\$ <u>709</u>)

See Supplementary Information to the Independent Auditor's Report

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NO. 22-20861
HUD CONTINUUM OF CARE - GRANT PA0072L3T002114
RECONCILIATION OF AGENCY REPORTED EXPENDITURES / REVENUES
TO AUDITED EXPENDITURES / REVENUES
GRANT PERIOD APRIL 1, 2022, THROUGH MARCH 31, 2023

	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
<u>Budget Categories</u>			
Personnel services:			
Salaries	\$ 10,335	\$ -	\$ 10,335
Fringe benefits	<u>1,860</u>	<u>-</u>	<u>1,860</u>
Total personnel costs	<u>12,195</u>	<u>-</u>	<u>12,195</u>
Participant expenses:			
Rental assistance	<u>123,945</u>	<u>-</u>	<u>123,945</u>
Total participant expenses	<u>123,945</u>	<u>-</u>	<u>123,945</u>
Total OSH contract expenditures	<u>136,140</u>	<u>-</u>	<u>136,140</u>
City of Philadelphia OHS:			
Total OHS funding	<u>136,140</u>	<u>-</u>	<u>136,140</u>
Excess expenditures over contract funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Supplementary Information to the Independent Auditor's Report

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NO. 21-20809
HUD CONTINUUM OF CARE - GRANT PA0865L3T001901
RECONCILIATION OF AGENCY REPORTED EXPENDITURES / REVENUES
TO AUDITED EXPENDITURES / REVENUES
GRANT PERIOD MAY 1, 2021, THROUGH APRIL 30, 2022

	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
<u>Budget Categories</u>			
Personnel services:			
Salaries	\$ 125,814	\$ -	\$ 125,814
Fringe benefits	<u>28,158</u>	<u>-</u>	<u>28,158</u>
Total personnel costs	<u>153,972</u>	<u>-</u>	<u>153,972</u>
Operating expenses:			
Office expense	<u>4,601</u>	<u>-</u>	<u>4,601</u>
Total operating expenses	<u>4,601</u>	<u>-</u>	<u>4,601</u>
Administrative costs:			
Administration fees	<u>13,548</u>	<u>-</u>	<u>13,548</u>
Total participant expenses	<u>13,548</u>	<u>-</u>	<u>13,548</u>
Participant expenses:			
Client travel	1,345	-	1,345
Rental assistance	<u>120,451</u>	<u>-</u>	<u>120,451</u>
Total participant expenses	<u>121,796</u>	<u>-</u>	<u>121,796</u>
Total OSH contract expenditures	<u>293,917</u>	<u>-</u>	<u>293,917</u>
City of Philadelphia OHS:			
Total OHS funding	<u>293,917</u>	<u>-</u>	<u>293,917</u>
Excess expenditures over contract funding	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See Supplementary Information to the Independent Auditor's Report

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF HOMELESS SERVICES
HUD CONTINUUM OF CARE - GRANT PA0865L3T002002
RECONCILIATION OF AGENCY REPORTED EXPENDITURES / REVENUES
TO AUDITED EXPENDITURES / REVENUES
GRANT PERIOD MAY 1, 2022, THROUGH APRIL 30, 2023

	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
<u>Budget Categories</u>			
Personnel services:			
Salaries	\$ 19,958	\$ -	\$ 19,958
Fringe benefits	<u>3,869</u>	<u>-</u>	<u>3,869</u>
Total personnel costs	<u>23,827</u>	<u>-</u>	<u>23,827</u>
Operating expenses:			
Office expense	<u>568</u>	<u>-</u>	<u>568</u>
Total operating expenses	<u>568</u>	<u>-</u>	<u>568</u>
Administrative costs:			
Administration fees	<u>2,713</u>	<u>-</u>	<u>2,713</u>
Total participant expenses	<u>2,713</u>	<u>-</u>	<u>2,713</u>
Participant expenses:			
Rental assistance	<u>23,687</u>	<u>-</u>	<u>23,687</u>
Total participant expenses	<u>23,687</u>	<u>-</u>	<u>23,687</u>
Total OSH contract expenditures	<u>50,795</u>	<u>-</u>	<u>50,795</u>
City of Philadelphia OHS:			
Total OHS funding	<u>50,795</u>	<u>-</u>	<u>50,795</u>
Excess expenditures over contract funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Supplementary Information to the Independent Auditor's Report

**VETERANS MULT-SERVICE CENTER, INC.
NOTES TO CITY OF PHILADELPHIA CONTRACTS
FOR THE YEAR ENDED JUNE 30, 2022**

The *Organization* had two City of Philadelphia, Office of Homeless Services contracts during the fiscal year that ended June 30, 2022. The contracts were split between two different contract periods for each program, which is common for both programs. The programs were all under the federal government's *Department of Housing and Urban Development's* Continuum of Care. The contracts were commonly referred to as:

- Freedom's Gate
- Edison 64

Freedom's Gate, commonly referred to as Shelter+Care, grant periods were April 1, 2021, to March 31, 2022, which incurred costs of \$455,565, and April 1, 2022, through March 31, 2023, in which \$136,140 of costs were incurred by June 30, 2022. The combined costs of \$591,705 were all incurred during *VMC's* fiscal year ended June 30, 2022.

Edison 64, often called HUD-64, had contracts extending from May 1, 2021, through April 30, 2022, with accumulated program costs of \$50,795. The second contract grant period was from May 1, 2022, through April 30, 2023. Costs incurred totaled \$293,917. Total Edison 64 costs incurred were \$344,712 for the *Organization's* fiscal year that ended June 30, 2022.

SUMMARY OF AUDITOR'S OFFICE OF HOMELESS SERVICES RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the *Veterans Multi-Service Center, Inc.*
2. A significant deficiency was disclosed during the audit of the financial statements. Refer to page 28, Summary of Auditor's Results.
3. An instance of noncompliance was found and is detailed on page 29, Findings 2022-001, and is required to be reported in accordance with *Government Auditing Standards*.
4. The auditor's report on compliance expresses an unmodified opinion.
5. There are no reportable audit findings in the Continuum of Care programs.