

VETERANS MULTI-SERVICE CENTER, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

VETERANS MULTI-SERVICE CENTER, INC.

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2023, 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 present fairly, in all material respects, the financial position of the ***Veterans Multi-Service Center, Inc.***, as of June 30, 2023, 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. 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.

The accompanying reconciliations of agency reported expenditures / revenues to audit expenditures / revenues as required by section 5150.02, Office of Homeless Services, of the *City of Philadelphia Subrecipient Audit Guide*, are presented for purposes of additional analyses 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 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 reconciliations of agency reported expenditures / revenues to audit expenditures / revenues are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have issued my report dated December 12, 2023, 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 12, 2023

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

<u>ASSETS</u>	<u>LIABILITIES AND NET ASSETS</u>
Current assets:	Current liabilities:
Cash and equivalents \$ 1,730,679	Accounts payable \$ 307,691
Grants and contracts receivable 1,774,471	Accrued payroll and related taxes 306,960
Prepaid expenses 202,872	Operating lease liability – current 310,185
Pledges receivable 58,628	Deferred income 298,120
Other receivables <u>7,025</u>	Mortgages payable 31,350
Total current assets <u>3,773,675</u>	Other payables <u>33,055</u>
	Total current liabilities <u>1,287,361</u>
Fixed assets:	Long-term liabilities:
Land 175,000	Operating lease liability – Long-term 655,453
Building 1,867,765	Mortgages payable <u>638,515</u>
Building improvements 303,419	Total long-term liabilities <u>1,293,968</u>
Vehicles 267,472	Total liabilities <u>2,581,329</u>
Equipment <u>4,805</u>	
Total fixed assets (cost) 2,618,461	Net assets:
Less: accumulated depreciation <u>1,479,280</u>	Without donor restrictions:
Total fixed assets (net) <u>1,139,181</u>	Undesignated 3,560,925
	With donor restrictions <u>325,073</u>
Other assets:	Total net assets <u>3,885,998</u>
Operating lease right-of-use asset 965,638	
Note receivable 552,040	
Security deposits 19,793	
Artwork <u>17,000</u>	
Total other assets <u>1,554,471</u>	
TOTAL ASSETS \$ <u>6,467,327</u>	TOTAL LIABILITIES AND NET ASSETS \$ <u>6,467,327</u>

See accompanying notes to financial statements.

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<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	\$ -	\$ 15,932,850	\$ 15,932,850
Program administration fees	-	765,407	765,407
Contributions of cash and other financial assets	544,185	183,675	727,860
Fund-raising	308,206	-	308,206
Contributions of nonfinancial assets	227,525	-	227,525
Rental income	190,029	-	190,029
Resident fees	27,291	-	27,291
Other income	64,020	219	64,239
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>16,848,049</u>	<u>(16,848,049)</u>	<u>-</u>
Total revenues	<u>18,209,305</u>	<u>34,102</u>	<u>18,243,407</u>
<u>EXPENSES:</u>			
<i>Program Services:</i>			
Homeless Veteran Programs	15,804,546	-	15,804,546
Employment and Training Programs	<u>698,088</u>	<u>-</u>	<u>698,088</u>
Total program services	<u>16,502,634</u>	<u>-</u>	<u>16,502,634</u>
<i>Supporting Services:</i>			
Management and general	944,958	-	944,958
Development / Fund-raising	<u>393,840</u>	<u>-</u>	<u>393,840</u>
Total supporting services	<u>1,338,798</u>	<u>-</u>	<u>1,338,798</u>
Total expenses	<u>17,841,432</u>	<u>-</u>	<u>17,841,432</u>
Change in net assets	367,873	34,102	401,975
Net assets - Beginning of year	<u>3,193,052</u>	<u>290,971</u>	<u>3,484,023</u>
Net assets - End of year	<u>\$ 3,560,925</u>	<u>\$ 325,073</u>	<u>\$ 3,885,998</u>

See accompanying notes to financial statements.

**VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<i>Program Services</i>			<i>Supporting Services</i>			<u>TOTALS</u>
	<u>HOMELESS VETERAN PROGRAMS</u>	<u>EMPLOYMENT AND TRAINING PROGRAMS</u>	<u>TOTAL PROGRAMS</u>	<u>MANAGEMENT & GENERAL</u>	<u>DEVELOPMENT / FUND-RAISING</u>	<u>TOTAL SUPPORT</u>	
<u>EXPENSES:</u>							
Salaries	\$ 5,985,192	\$ 388,097	\$ 6,373,289	\$ 150,640	\$ 218,281	\$ 368,921	\$ 6,742,210
Payroll taxes	442,481	28,088	470,569	16,065	15,230	31,295	501,864
Employee fringe benefits	830,052	47,911	877,963	49,873	32,225	82,098	960,061
Total personnel costs	<u>7,257,725</u>	<u>464,096</u>	<u>7,721,821</u>	<u>216,578</u>	<u>265,736</u>	<u>482,314</u>	<u>8,204,135</u>
Program costs	6,098,980	136,961	6,235,941	181,553	36,458	218,011	6,453,952
Sub-contractors	1,063,171	18,750	1,081,921	-	-	-	1,081,921
Lease expenses	284,636	9,000	293,636	76,984	-	76,984	370,620
Office expense and supplies	170,917	9,043	179,960	123,497	1,607	125,104	305,064
Professional	143,134	11,324	154,458	29,016	88,075	117,091	271,549
Building maintenance	181,939	11,527	193,466	42,065	-	42,065	235,531
In-kind program costs	227,525	-	227,525	-	-	-	227,525
Vehicle fleet maintenance	123,230	7,201	130,431	72,008	-	72,008	202,439
Travel	105,315	30,186	135,501	3,743	963	4,706	140,207
Insurance	67,545	-	67,545	69,395	1,001	70,396	137,941
Depreciation	80,429	-	80,429	13,284	-	13,284	93,713
Bad debt expense	-	-	-	84,040	-	84,040	84,040
Interest expense	-	-	-	31,921	-	31,921	31,921
Other	-	-	-	874	-	874	874
Total expenses	<u>\$ 15,804,546</u>	<u>\$ 698,088</u>	<u>\$ 16,502,634</u>	<u>\$ 944,958</u>	<u>\$ 393,840</u>	<u>\$ 1,338,798</u>	<u>\$ 17,841,432</u>

See accompanying notes to financial statements.

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:

Grant and contract income	\$ 15,906,765
Contributions	937,035
Fund-raising	304,827
Rental income	185,880
Other income	47,200
Cash paid for salaries, payroll taxes, and fringe benefits	(8,168,459)
Cash paid for programs	(8,375,950)
Cash paid for operations	(649,090)
Fund-raising	(128,104)
Interest expense	(<u>31,921</u>)
Net cash provided by operating activities	<u>28,183</u>

Cash flows from financing activities:

Repayment of mortgage principal	(<u>29,512</u>)
Net cash (used) by financing activities	(<u>29,512</u>)

Cash flows from investing activities:

Purchase of capitalized fixed assets	(<u>36,551</u>)
Net cash (used) by investing activities	(<u>36,551</u>)

Net change in cash (37,880)

Cash and equivalents – July 1, 2022 1,768,559

Cash and equivalents – June 30, 2023 \$ 1,730,679

Non-Cash Transactions:

In-kind contributions \$ 227,525

See accompanying notes to financial statements.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. To advocate on all levels, giving voice to their concerns, bringing equity and quality to their earned benefits, and a just resolve to their needs. 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.

Accounting Pronouncements Adopted: VMC has applied *Accounting Standards Codification (ASC) 842 – Leases*. This update increases disclosure and visibility of leasing obligations. All long-term leases, defined as greater than one year, must be represented on the statement of financial position as a right of use (ROU) asset and a lease liability. Disclosure reports include more qualitative and quantitative information.

VMC adopted *Accounting Standards Update (ASU) 2020-07 – Contributed Nonfinancial Assets*. This provision requires a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Qualitative information is to be presented describing how the assets were used and any donor-imposed restrictions associated with the assets.

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.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

In-kind contributions: Donations of food products, housing supplies, and other types of program-related needs were received by VMC without restrictions and totaled \$227,525 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.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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:

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 grant awards and contributions to be used for specific programs and activities as directed by donors and grantors.

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*.

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.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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>1,730,679</u>
Total cash and equivalents	\$ <u>1,730,679</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 \$298,120 on June 30, 2023.

NOTE 4 – FIXED ASSETS

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

Land	\$ 175,000
Building	1,867,765
Building improvements	303,419
Vehicles	267,472
Equipment	<u>4,805</u>
Total fixed assets (cost)	2,618,461
Less: Accumulated depreciation	<u>1,479,280</u>
Fixed assets (net)	\$ <u>1,139,181</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
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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 \$93,713.

NOTE 5 – NOTE RECEIVABLE

The *Organization* has an outstanding long-term note receivable balance of \$552,040 on June 30, 2023. *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 2023 was \$10,824. 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 advance at the inception of the contract although it was not fully earned by June 30, 2023. Also, foundation awards not yet satisfied as of June 30, 2023, combine with the grant advance combine for a deferred income balance of \$298,120. 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, 2023:

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, 2023

The current and long-term balances on June 30, 2023, were \$18,991 and \$386,653, respectively, for a combined balance of \$405,644. A balloon payment of \$364,771 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, 2023, were \$12,359 and \$251,862, respectively, for a combined balance of \$264,221. A balloon payment of \$236,509 is due in September 2025.

The combined mortgage balances on June 30, 2023, were:

	<u>One</u>	<u>Two</u>	<u>Totals</u>
Current	\$ 18,991	\$ 12,359	\$ 31,350
Long-term	<u>386,653</u>	<u>251,862</u>	<u>638,515</u>
TOTALS	\$ <u>405,644</u>	\$ <u>264,221</u>	\$ <u>669,865</u>

The mortgage debt principal repayments for the five years succeeding June 30, 2023, are as follows:

<u>Fiscal Year-Ended</u>	<u>Annual Maturity</u>
June 30, 2024	\$ 31,350
June 30, 2025	32,823
June 30, 2026	605,692

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 March 6, 2023, through April 1, 2024. There was no balance as of June 30, 2023.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, totaled \$170,776.

NOTE 11 – NET ASSETS

The board of directors has discretionary control to appropriate some funds for designated purposes.

Net assets consist of the following as of June 30, 2023:

Without donor restrictions:

Undesignated net assets	\$ <u>3,560,925</u>
Total net assets without donor restrictions	<u>3,560,925</u>

With donor restrictions:

Foundation grant awards	\$ 255,046
SSVF Shallow grant	43,074
Fiduciary Money Management Program	<u>26,953</u>
Total net assets with donor restrictions	<u>325,073</u>

TOTAL NET ASSETS	\$ <u><u>3,885,998</u></u>
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VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2023, restrictions on grants and contributions of \$16,848,049 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. Satisfactions of restrictions were as follows:

Grant awards for federal programs	\$ 15,930,655
Program administration fees	765,407
Designated contributions	151,768
Other	<u>219</u>
Total net assets released from restrictions	<u>\$ 16,848,049</u>

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities included:

Food and prepared meals	\$ 184,565
Gift cards	19,120
Home supplies	11,175
Clothing	9,625
Services	2,340
Facility usage	<u>700</u>
Total contributed nonfinancial assets	<u>\$ 227,525</u>

VMC recognized contributed nonfinancial assets within the revenue section of the statement of activities. All nonfinancial assets had no donor-imposed restrictions. The contributions were administered by VMC’s Perimeter, which offers daytime drop-in services for Veterans.

NOTE 14 – 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 had a receivable of \$84,040 from 700 Somerset Partners, LP, as of the previous fiscal year end, primarily for payment of security services by VMC. The balance remained unpaid and during the fiscal year management decided to write off the amount as uncollectible.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

A lawsuit had been settled with a security firm hired to provide protection services at the facility. See Note 18 for more information.

NOTE 15 – OPERATING LEASES

VMC evaluated current real estate, vehicle, and equipment lease contracts to determine which met the criteria of an operating lease in accordance with the *Financial Accounting Standards Board, Accounting Standards Codification 842 – Leases*. The right-of-use (ROU) assets represent VMC's right to use underlying assets for their lease term, and the lease liabilities represent VMC's obligation to make lease payments arising from these lease contracts. The ROU assets and lease liabilities are operating leases with a greater than one year lease term. There are no contract provisions offering VMC an opportunity to purchase these assets. Balances were calculated based on the present value of future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023, was 5.0%.

Lease expense for the year was \$370,620 while the discounted amount was \$348,397. The weighted-average remaining lease term is approximately 3.75 years. Future maturities of lease liabilities are as follows:

<u>Fiscal Year-Ending</u>	<u>Lease Commitments</u>
June 30, 2024	\$ 362,252
June 30, 2025	291,589
June 30, 2026	275,080
June 30, 2027	215,280
June 30, 2028	<u>9,934</u>
Total lease payments	1,154,135
Less present value discount	(<u>188,497</u>)
Total lease obligations	965,638
Less current portion of	(<u>310,185</u>)
Long-term portion of lease liability	\$ <u>655,453</u>

NOTE 16 – RENTAL INCOME AGREEMENT

The VA Hospital in Philadelphia rented clinical and office space from VMC's facility at 213 – 217 North Race Street in Philadelphia. Rental income earned in fiscal year 2023 was \$185,880. The lease was renewed on October 3, 2023, through September 30, 2024, with the same terms.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 – 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, 2023:

Available and anticipated assets:

Cash and equivalents	\$ 1,730,679
Grants and other receivables	1,840,124
Contract revenues and program fees	18,302,627
Contributions of cash and other financial assets	725,000
Fund-raising	250,000
Rental income	185,880
Interest income	38,000
Other income	5,000
Less: Current liabilities	(<u>1,287,361</u>)
Available and anticipated cash resources	<u>21,789,949</u>
Budgeted costs for 2023 – 2024 fiscal year	18,210,031
Less: non-cash expenditures such as depreciation	(<u>85,785</u>)
Anticipated cash needs	<u>18,124,246</u>
Expected cash surplus at 06-30-2024	\$ <u>3,665,703</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.

NOTE 18 – LITIGATION

In the previous fiscal year, VMC was 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 had filed for payment of outstanding service fees of approximately \$78,000. The suit against VMC was settled for \$30,000 on September 21, 2023, with no further claims against VMC.

A VMC van driver taking a client to an appointment was involved in an accident with another vehicle. In September 2023, the client passenger filed a lawsuit for injuries suffered. Counsel has advised the case may not be heard until 2025 but has indicated insurance coverage should be adequate.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The driver of the other vehicle involved in the accident cited above filed a lawsuit against VMC in October 2023 for injuries and damages. Again, counsel believes insurance coverage should be sufficient.

VMC settled a lawsuit for \$12,500 brought by a former employee claiming dismissal from employment with cause.

NOTE 19 – COMMITMENTS

VMC is not a party to any contract commitments extending beyond one year other than lease agreements summarized in note 15.

NOTE 20 – SUBSEQUENT EVENTS

The *Organization* has evaluated events and transactions occurring after June 30, 2023, for potential recognition and disclosure in these financial statements as of December 12, 2023, the date of issuance of this report. *NOTE 18 – LITIGATION*, describes pending and settled litigation occurring after the fiscal year end. No other reportable activities have been noted after the close of the fiscal year.

Single Audit Reporting

**VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<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>				
Supportive Services for Veteran Families Program	64.033	-	07-01-2022 to 03-31-2023	\$ 74,241
		-	07-01-2022 to 09-30-2023	1,609,057
		-	08-19-2022 to 09-30-2026	169,842
		-	09-01-2021 to 09-30-2023	806,233
		-	10-01-2021 to 09-30-2022	305,419
		-	10-01-2022 to 09-30-2023	513,975
		-	10-01-2022 to 09-30-2023	7,247,276
		-	09-01-2021 to 09-30-2023	<u>419,507</u>
Total Supportive Services for Veteran Families Program				<u>11,145,500</u>
Homeless Providers Grant and Per Diem Program	64.024	-	10-01-2021 to 09-30-2022	105,545
		-	10-01-2022 to 09-30-2023	315,147
		-	10-01-2021 to 09-30-2022	519,807
		-	10-01-2022 to 09-30-2023	<u>966,179</u>
Total Homeless Providers Grant and Per Diem				<u>1,906,678</u>
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	-	09-01-2022 to 12-31-2023	<u>363,276</u>
Total Staff Sergeant Parker Gordon Fox Suicide Prevention Program				<u>363,276</u>
<i>Total U. S. Department of Veterans Affairs</i>				<u>13,415,454</u>

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<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	-	01-01-2022 to 12-31-2022	193,801
Continuum of Care Program		-	01-01-2023 to 12-31-2023	174,890
Continuum of Care Program		-	05-01-2022 to 04-30-2023	320,550
Continuum of Care Program		-	05-01-2023 to 04-30-2024	79,706
Pass-Through City of Philadelphia's Office of Homeless Services:				
Continuum of Care Program		22-20861	04-01-2022 to 03-31-2022	421,021
Continuum of Care Program		23-20906	04-01-2023 to 03-31-2024	<u>142,145</u>
Total Pass-Through City of Philadelphia's Office of Homeless Services				<u>563,166</u>
<i>Total U. S. Department of Housing and Urban Development</i>				<u>1,332,113</u>
 <i>U. S. Department of Labor</i>				
Homeless Veterans Reintegration Program	17.805	-	07-01-2021 to 06-30-2022	261,931
		-	07-01-2022 to 06-30-2023	<u>429,538</u>
<i>Total U. S. Department of Labor</i>				<u>691,469</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-2021-095	09-30-2021 to 06-30-2023	<u>491,619</u>
<i>Total U. S. Department of Health and Human Services</i>				<u>491,619</u>
Total Expenditures of Federal Awards				\$ <u>15,930,655</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, 2023

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, 2023. 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, 2023

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.
Philadelphia, 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, 2023, 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 12, 2023.

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. However, material weaknesses or significant deficiencies may exist that were not identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. Burock, RPC, LLC

ROBERT F. BUROCK, RPC, LLC

Bala Cynwyd, Pennsylvania
December 12, 2023



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.
Philadelphia, 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, 2023. 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, 2023.

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.

Report on 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 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.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 12, 2023

**VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

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 yes X 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? yes X 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)? yes X no

Identification of Major Federal Program

CFDA / AL Number

64.033

Name of Federal Program

US Department of Veterans 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, 2023**

Section II – FINANCIAL STATEMENT FINDINGS

Findings – Financial Statements

None.

Section III – MAJOR FEDERAL PROGRAMS

Findings and Questioned Costs – Major Federal Awards Program Audit

None.

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR YEAR
JUNE 30, 2023

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.

Current Status: VMC filed their Data Collection Form (DCF) on a timely basis for their fiscal year ended June 30, 2022, and expected to file their 2023 DCF on a timely basis and in accordance with filing requirements.

Management’s Response and Corrective Action Plan:

VMC’s “Accounting Policies & Procedures Manual” has been updated to include this financial reporting requirement. Staff members have the requirement and due date posted to their calendars to prevent a late filing from happening again. Management and accounting personnel are well aware of this reporting responsibility.

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PRIOR YEAR
JUNE 30, 2023

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

Current Status: VMC filed their Data Collection Form (DCF) on a timely basis for their fiscal year ended June 30, 2022, and expected to file their 2023 DCF on a timely basis and in accordance with filing requirements.

Management's Response and Corrective Action Plan:

VMC's "Accounting Policies & Procedures Manual" has been updated to include this financial reporting requirement. Staff members have the requirement and due date posted to their calendars to prevent a late filing from happening again. Management and accounting personnel are well aware of this reporting responsibility.

City of Philadelphia Reporting

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NO. 22-20861
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	\$ 35,282	\$ -	\$ 35,282
Payroll taxes	2,893		
Fringe benefits	<u>3,728</u>	<u>-</u>	<u>3,728</u>
Total personnel costs	<u>39,010</u>	<u>-</u>	<u>39,010</u>
Participant expenses:			
Rental assistance	<u>384,660</u>	<u>-</u>	<u>384,660</u>
Total participant expenses	<u>384,660</u>	<u>-</u>	<u>384,660</u>
Total OSH contract expenditures	<u>423,670</u>	<u>-</u>	<u>423,670</u>
City of Philadelphia OHS:			
Total OHS funding	<u>421,021</u>	<u>-</u>	<u>421,021</u>
Excess expenditures over contract funding	(\$ <u>2,649</u>)	\$ <u>-</u>	(\$ <u>2,649</u>)

See Supplementary Information to the Independent Auditor's Report

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NO. 23-20906
RECONCILIATION OF AGENCY REPORTED EXPENDITURES / REVENUES
TO AUDITED EXPENDITURES / REVENUES
GRANT PERIOD APRIL 1, 2023, THROUGH MARCH 31, 2024

	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
<u>Budget Categories</u>			
Personnel services:			
Salaries	\$ 15,040	\$ -	\$ 15,040
Payroll taxes	1,317		
Fringe benefits	<u>1,597</u>	<u>-</u>	<u>1,597</u>
Total personnel costs	<u>16,637</u>	<u>-</u>	<u>16,637</u>
Participant expenses:			
Rental assistance	<u>125,508</u>	<u>-</u>	<u>125,508</u>
Total participant expenses	<u>125,508</u>	<u>-</u>	<u>125,508</u>
Total OSH contract expenditures	<u>142,145</u>	<u>-</u>	<u>142,145</u>
City of Philadelphia OHS:			
Total OHS funding	<u>142,145</u>	<u>-</u>	<u>142,145</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, 2023**

The *Organization* had City of Philadelphia, Office of Homeless Services contracts during the fiscal year ended June 30, 2023. The accounting was based on costs incurred in each of the two contract periods. The program was 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*.

Freedom's Gate, grant periods were April 1, 2022, to March 31, 2023, which incurred costs of \$421,021, and April 1, 2023, through March 31, 2024, in which \$142,145 of costs were incurred by June 30, 2023. The combined costs of \$563,166 were all incurred during *VMC's* fiscal year ended June 30, 2023.

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. No material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the *Organization*, which would be required to be reported in accordance with *Government Auditing Standards*, and section 5150.02, Office of Homeless Services, of the *City of Philadelphia Subrecipient Audit Guide*, were disclosed during the audit.
4. The auditor's report on compliance expresses an unmodified opinion.
5. There are no reportable audit findings in these programs.