

VETERANS MULTI-SERVICE CENTER, INC.
Financial Statements
June 30, 2024
With Independent Auditor's Reports

Veterans Multi-Service Center, Inc.
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June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the financial statements of the Veterans Multi-Service Center, Inc., which comprise the statement of financial position as of June 30, 2024, 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 our opinion, the financial statements present fairly, in all material respects, the financial position of the Veterans Multi-Service Center, Inc., as of June 30, 2024, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Veterans Multi-Service Center, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Veterans Multi-Service Center, Inc.'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

Our 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 our 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- 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 our 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.

We are 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 we identified during the audit.

Supplementary Information

Our 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 our 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 our 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*, we have issued our report dated March 10, 2025 on our consideration of Veterans Multi-Service Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Veterans Multi-Service Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Veterans Multi-Service Center, Inc.'s internal control over financial reporting and compliance.

Withum Smith & Brown, PC

March 10, 2025

Veterans Multi-Service Center, Inc.
Statement of Financial Position
June 30, 2024

Assets

Current assets	
Cash and cash equivalents	\$ 1,910,213
Grants and contracts receivable	1,986,822
Pledges receivable	96,022
Prepaid expenses and other assets	<u>182,205</u>
Total current assets	4,175,262
Property and equipment, net	1,152,653
Right of use asset - operating leases	1,136,606
Note receivable	563,081
Other assets	<u>36,793</u>
Total assets	<u>\$ 7,064,395</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 357,462
Accrued expenses	284,211
Deferred revenue	127,170
Mortgages payable	32,451
Operating lease liabilities	353,723
Other payables	<u>31,285</u>
Total current liabilities	<u>1,186,302</u>
Long-term liabilities	
Operating lease liabilities	782,883
Mortgages payable	<u>606,463</u>
Total long-term liabilities	<u>1,389,346</u>
Total liabilities	<u>2,575,648</u>
Net assets	
Without donor restrictions	4,284,619
With donor restrictions	<u>204,128</u>
Total net assets	<u>4,488,747</u>
Total liabilities and net assets	<u>\$ 7,064,395</u>

The Notes to Financial Statements are an integral part of this statement.

Veterans Multi-Service Center, Inc.
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Grants and contracts	\$ 16,661,317	\$ -	\$ 16,661,317
Contributions	1,140,712	384,100	1,524,812
Contributions of nonfinancial assets	413,626	-	413,626
Lease income	193,755	-	193,755
Other income	225,702	-	225,702
Net assets released from restrictions			
Satisfaction of program restrictions	<u>505,045</u>	<u>(505,045)</u>	<u>-</u>
Total revenues	<u>19,140,157</u>	<u>(120,945)</u>	<u>19,019,212</u>
Expenses			
Program services			
Homeless Veteran Programs	16,036,317	-	16,036,317
Employment and Training Programs	<u>586,086</u>	<u>-</u>	<u>586,086</u>
	<u>16,622,403</u>	<u>-</u>	<u>16,622,403</u>
Supporting services			
Management and general	1,273,646	-	1,273,646
Fundraising	<u>520,414</u>	<u>-</u>	<u>520,414</u>
Total supporting services	<u>1,794,060</u>	<u>-</u>	<u>1,794,060</u>
Total expenses	<u>18,416,463</u>	<u>-</u>	<u>18,416,463</u>
Change in net assets	723,694	(120,945)	602,749
Net assets			
Beginning of year	<u>3,560,925</u>	<u>325,073</u>	<u>3,885,998</u>
End of year	<u>\$ 4,284,619</u>	<u>\$ 204,128</u>	<u>\$ 4,488,747</u>

The Notes to Financial Statements are an integral part of this statement.

Veterans Multi-Service Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Totals</u>
	<u>Homeless Veteran Programs</u>	<u>Employment and Training Programs</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support</u>	
Expenses							
Salaries	\$ 5,458,886	\$ 277,711	\$ 5,736,597	\$ 487,603	\$ 254,113	\$ 741,716	\$ 6,478,313
Payroll taxes	399,325	20,429	419,754	33,536	17,877	51,413	471,167
Employee fringe benefits	874,074	38,209	912,283	89,889	40,462	130,351	1,042,634
Total personnel costs	6,732,285	336,349	7,068,634	611,028	312,452	923,480	7,992,114
Program and other direct expenses	7,087,087	106,082	7,193,169	213,816	198,306	412,122	7,605,291
Lease expenses	304,314	3,000	307,314	-	-	-	307,314
Sub-contractors	922,000	-	922,000	-	-	-	922,000
Office expense and supplies	302,428	19,675	322,103	111,203	3,713	114,916	437,019
Professional	284,985	75,974	360,959	81,737	4,000	85,737	446,696
Building maintenance	73,188	8,995	82,183	17,618	112	17,730	99,913
Vehicle fleet maintenance	96,378	3,406	99,784	63,899	-	63,899	163,683
Travel	114,561	32,605	147,166	4,504	831	5,335	152,501
Insurance	41,040	-	41,040	80,207	1,000	81,207	122,247
Depreciation	78,051	-	78,051	19,001	-	19,001	97,052
Bad debt expense	-	-	-	40,077	-	40,077	40,077
Interest expense	-	-	-	30,556	-	30,556	30,556
Total expenses	\$ 16,036,317	\$ 586,086	\$ 16,622,403	\$ 1,273,646	\$ 520,414	\$ 1,794,060	\$ 18,416,463

The Notes to Financial Statements are an integral part of this statement.

Veterans Multi-Service Center, Inc.
Statement of Cash Flows
Year Ended June 30, 2024

Operating activities

Change in net assets	\$ 602,749
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debt expense	40,077
Depreciation	97,052
Non cash accrued interest on note receivable	(11,041)
Amortization of right of use asset	337,122
Change in operating assets and liabilities	
Grants and contracts receivable	(252,428)
Pledges receivable	(37,394)
Prepaid expenses and other assets	27,692
Accounts payable	49,771
Accrued expenses	(22,749)
Payments on lease liabilities	(337,122)
Deferred revenue	(170,950)
Other payables	(1,770)
Net cash provided by operating activities	<u>321,009</u>

Investing activities

Purchases of property and equipment	<u>(110,524)</u>
Net cash used in investing activities	<u>(110,524)</u>

Financing activities

Payments on mortgages payable	<u>(30,951)</u>
Net cash used in financing activities	<u>(30,951)</u>

Net change in cash and cash equivalents	179,534
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Cash and cash equivalents

Beginning of year	<u>1,730,679</u>
End of year	<u>\$ 1,910,213</u>

Supplemental information

Non cash financing activity - initial recording of lease liability	<u>\$ 508,090</u>
Cash paid for interest	<u>\$ 30,556</u>

The Notes to Financial Statements are an integral part of this statement.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

1. ORGANIZATION AND OPERATIONS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of VMC have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require it to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of VMC. These net assets may be used at the discretion of VMC’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of VMC or by passage of time. When restrictions are satisfied, they are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2024, there were no net assets with donor restrictions requiring the funds to be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of reporting cash flows, VMC considers all investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of an overnight sweep cash account.

Grants and Contracts Receivable

VMC monitors the collectability of accounts received and an allowance for doubtful accounts is recorded based on management’s judgment considering historical information, aging of the receivables, an assessment of economic conditions, and reasonable and supportable forecasts of future collections. Services are provided on an unsecured basis. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Pledges Receivable

VMC records pledges receivable that are expected to be collected within one year at net realizable value. Receivables with expected collection past one year are recorded at net present value using risk-free rates applicable to the years in which the promises are received. VMC monitors the collectability of these receivables and an allowance for uncollectable promises to give is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Property and Equipment

Property and equipment purchases are recorded at cost, less accumulated depreciation, except for donated items, which are recorded at their fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

The building and improvements are being depreciated over 10 – 40 years. Equipment and vehicles are being depreciated between 3 and 7 years.

Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset group may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the assets in measuring whether the long-lived asset group is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset group is written down to its fair value, which is estimated using discounted cash flows. No impairment losses were recorded during the year ended June 30, 2024

Leases

VMC accounts for leases in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 842. In accordance with ASC 842, VMC determines if an arrangement is or contains a lease at contract inception and recognizes an asset and a lease liability at the lease commencement date. Contract terms determine if a lease will be accounted for as an operating or finance lease. Based on the lease contracts, non-lease components are separated and recorded as other liabilities. As a result, the non-lease components are not included in the lease calculation.

Certain of VMC's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at VMC's sole discretion. VMC regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, VMC includes such options in the lease term.

For operating leases, the lease liability is measured at the present value of the unpaid lease payments. The right-of-use (“ROU”) asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term. At June 30, 2024, VMC has no financing leases.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, VMC uses an incremental borrowing rate if the rate implicit in the lease is not evident.

VMC has elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of twelve months or less and recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

Several key estimates and judgments are used to determine the ROU assets and operating lease liabilities, including the discount rate used to discount the unpaid lease payments to present value, lease term, and lease payments.

Right-of-use assets are assessed for impairment in accordance with VMC's long-lived asset policy. VMC reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with ASC 842.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

Revenue Recognition

Grant Revenue

VMC receives the majority of its revenues from federal, state and local agencies in the form of grants. VMC recognizes revenue (up to the contract amount) to the extent of the expenses incurred. Revenue recognition depends on the terms of the contract, which primarily is based on costs incurred and is recognized as conditions in the contracts are substantially met after the contracts are fully executed. At times, VMC receives revenues in advance from contracts for program operations. Such amounts are recorded as deferred revenue and are recognized when allowable expenses are incurred. Deferred revenue was \$127,170 at June 30, 2024.

Contributions

VMC recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. VMC reports contributions as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, VMC reports the support as net assets without donor restrictions. In the absence of specific donor restriction, contributions are considered available for unrestricted use.

In-kind contributions of food products, housing supplies and other types of program related needs are recorded as revenue at their estimated fair value at the date of donation.

Other income

Other income recognized at the amount that reflects the consideration to which VMC expects to be entitled in exchange for providing services in an exchange transaction. Performance obligations are determined based on the nature of the services provided. All of VMC's performance obligations relate to contracts with a duration of less than one year. In turn, VMC has elected to apply the option exemptions provided in ASC 606 and as a result is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Lease Income

The VA Hospital in Philadelphia rented clinical and office space from VMC's facility at 213 – 217 North Race Street in Philadelphia and also rental income on other properties which are tenant at will leases. Lease income earned during the year ended June 30, 2024 was \$193,755. Lease income is recorded on a straight-line basis over the term of the lease.

Income Taxes

VMC is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Service Code ("IRC"). As such, the Organization is exempt from income taxes on related income pursuant to Section 509(a) of the IRC.

VMC follows FASB guidance on accounting for uncertainty in income taxes and has evaluated its tax positions. The Organization accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has determined that there are no uncertain tax positions as of June 30, 2024. VMC has no income tax related penalties or interest for the periods reported in these financial statements.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

Concentration of Credit Risk

VMC has cash balances at financial institutions which throughout the year regularly exceed the amounts insured by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation for up to \$250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on VMC's financial condition, results of operations, and cash flows.

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 VMC. Accordingly, certain costs have been allocated to program and support services in the statement of functional expenses.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Accordingly, actual results could differ from those estimates. There were significant estimates recorded in these financial statements for the allowance for doubtful account, useful lives of fixed assets and the allocation of expenses among functional categories.

Recent Accounting Pronouncements Adopted in the Current Year

During June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Measurement of Credit Losses on Financial Instruments. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. VMC adopted the new standard effective July 1, 2023, using the modified retrospective approach. The implementation of this ASU did not have a material impact on the financial statements.

Advertising

Advertising costs are expensed when incurred. Advertising costs for the year ended June 30, 2024 were \$120,357, including \$114,800 in in-kind advertising expense.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024:

Land	\$	175,000
Building		1,867,765
Building improvements		413,944
Vehicles		267,472
Equipment		4,805
		<u>2,728,986</u>
Less: Accumulated depreciation		<u>(1,576,333)</u>
	\$	<u>1,152,653</u>

Depreciation expense was \$97,052 for the year ended June 30, 2024.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

4. NOTE RECEIVABLE

VMC entered into a limited partnership agreement with 700 Somerset Partners LP, a for-profit limited partnership, (the Partnership). In this agreement, VMC was identified as a limited partner and had contributed capital of in the form of veteran’s housing vouchers to obtain a 20% interest in this limited partnership. The investment in partnership is recorded on the equity method of accounting and is immaterial to the financial statements. The purpose of this partnership was to renovate the former Edison High School under the “Edison 64 Project” to provide low-income housing to the community. VMC received grant awards during the year ended June 30, 2019 which was subsequently loaned to 700 Somerset Partners LP to be used in the renovation project.

The note accrues interest income at 2.0% per annum through its maturity in December 2047. Interest earned during the year ended June 30, 2024 was \$11,041. The note is collateralized by the Edison 64 property.

5. MORTGAGES PAYABLE

VMC has two outstanding mortgages on June 30, 2024:

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 principal and interest of \$3,104. A balloon payment of \$364,771 is due in August 2025. The loan is collateralized by the building and its improvements. VMC must meet certain financial covenants in connection with the mortgage.

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 principal and interest of \$2,021. A balloon payment of \$236,509 is due in September 2025. 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. VMC must meet certain financial covenants in connection with the mortgage.

The combined mortgage balances on June 30, 2024, were:

	<u>One</u>	<u>Two</u>	<u>Totals</u>
Current	\$ 19,684	\$ 12,767	\$ 32,451
Long-term	<u>367,165</u>	<u>239,298</u>	<u>606,463</u>
	<u>\$ 386,849</u>	<u>\$ 252,065</u>	<u>\$ 638,914</u>

The mortgage principal repayments are due as follows:

<u>Fiscal Year-Ended</u>	<u>Annual Maturity</u>
June 30, 2025	\$ 32,451
June 30, 2026	<u>606,463</u>
	<u>\$ 638,914</u>

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

6. LINE OF CREDIT

VMC 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 through June 1, 2025. There was no balance as of June 30, 2024.

7. PENSION PLAN

VMC 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.

Pension expense for the year ended June 30, 2024, totaled \$190,312.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of June 30, 2024:

Womans veterans programs	\$ 32,222
Staffing	44,806
Training programs	9,212
Veterans assistance programs	63,094
Other	<u>54,794</u>
Total net assets with donor restrictions	<u>\$ 204,128</u>

During the year ended June 30, 2024, net assets released from restrictions was \$505,045 and primarily consisted of expenditures related to veterans assistance programs and employment and training programs.

9. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities included:

Food and prepared meals	\$ 110,166
Gift cards	440
Home supplies	20,110
Clothing	164,080
Services	1,820
Facility usage	2,210
Advertising	<u>114,800</u>
Total contributed nonfinancial assets	<u>\$ 413,626</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. VMC records the fair value for goods and services based on standard industry pricing for similar items. VMC records the fair value of advertising based on the cost of the promotion if purchased separately.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

10. OPERATING LEASES

VMC leases various property and equipment under noncancelable operating leases expiring in various fiscal years ending through 2028. The leases require monthly payments ranging from approximately \$477 to \$6,750 and include optional renewal periods. Additionally, VMC leases various other facilities and equipment with terms of one year or less.

The statements of financial position include operating lease right-of-use assets as follows at June 30, 2024:

Operating lease right-of-use assets, gross	\$ 1,844,348
Less: Accumulated amortization of right-of-use assets	<u>(707,742)</u>
Total operating lease right-of-use assets, net	<u>\$ 1,136,606</u>

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2024:

<u>Fiscal Year Ending</u>	Lease Commitments
June 30, 2025	\$ 388,442
June 30, 2026	388,610
June 30, 2027	331,012
June 30, 2028	122,384
June 30, 2029	<u>69,525</u>
Total lease payments	1,299,973
Less imputed interest	<u>(163,367)</u>
Total lease obligations	1,136,606
Less: Current portion of	<u>(353,723)</u>
Long-term portion of lease liability	<u>\$ 782,883</u>

Cash paid on lease liabilities was \$337,122 for the year ended June 30, 2024.

The weighted average lease term is approximately 3.50 years and the weighted average discount rate was approximately 5%.

The following table summarizes the composition of lease expense for the year ended June 30, 2024

Operating lease expense	\$ 307,314
Short-term lease expense	<u>67,583</u>
Total lease expense	<u>\$ 374,897</u>

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2024

11. 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, 2024:

Financial assets	
Cash and cash equivalents	\$ 1,910,213
Grants and contracts receivable	1,986,822
Pledges receivable	<u>96,022</u>
	3,993,057
Less financial assets unavailable for current expenditures	
Net assets with donor restrictions	<u>(204,128)</u>
	<u>\$ 3,788,929</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.

12. LITIGATION

VMC is involved, from time to time, in litigation at various stages, related to their operations including employee and other matters. It is management's opinion at this time that any ultimate liability from any current litigation, whether asserted or unasserted, or whether covered by insurance or not, would not have a material effect on VMC's financial statements.

VMC participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors, or their representatives. VMC is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs. Management is not aware of any material items of possible noncompliance that could result in the disallowance of program expenditures.

13. SUBSEQUENT EVENTS

VMC has evaluated subsequent events occurring after the statement of financial position date through March 10, 2025, which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred, which require disclosure in or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

**Veterans Multi-Service Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

<u>Federal Grantor and Pass-Through Agency</u>	<u>AL No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Period</u>	<u>Passed through to Sub-recipients</u>	<u>Federal Expenditures</u>
U.S. Department of Veterans Affairs					
Supportive Services for Veteran Families Program	64.033	-	07-01-2022 to 09-30-2023	\$ -	\$ 402,990
		-	08-19-2022 to 09-30-2026	-	588,295
		-	09-01-2021 to 09-30-2024	-	3,456,260
		-	10-01-2022 to 09-30-2023	-	208,730
		-	10-01-2023 to 06-30-2024	-	7,972,131
		-	09-01-2021 to 09-30-2023	-	455,961
Total Supportive Services for Veteran Families Program				-	13,084,367
Homeless Providers Grant and Per Diem Program	64.024	-	10-01-2022 to 09-30-2023	-	72,621
		-	10-01-2023 to 09-30-2024	-	215,393
Total Homeless Providers Grant and Per Diem				-	288,014
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	0	09-01-2022 to 12-31-2023	-	376,935
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	-	01-01-2024 to 09-30-2024	-	446,065
Total Staff Sergeant Parker Gordon Fox Suicide Prevention Program				-	823,000
Total U. S. Department of Veterans Affairs				-	14,195,381

See Independent Auditor's Report.

**Veterans Multi-Service Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

Federal Grantor and Pass-Through Agency	AL No.	Pass-Through Grantor's Number	Award Period	Passed through to Sub-recipients	Federal Expenditures
U. S. Department of Housing and Urban Development					
Continuum of Care Program	14.267	-	01-01-2023 to 12-31-2023	\$ -	\$ 150,597
Continuum of Care Program		-	01-01-2024 to 12-31-2024	-	150,804
Continuum of Care Program		-	05-01-2023 to 04-30-2024	-	286,683
Continuum of Care Program		-	05-01-2024 to 04-30-2025	-	63,861
Pass-Through City of Philadelphia's Office of Homeless Services					
Continuum of Care Program		23-20906	04-01-2023 to 03-31-2024	-	490,061
Continuum of Care Program		24-20772	04-01-2024 to 03-31-2025	-	159,019
Total Pass-Through City of Philadelphia's Office of Homeless Services				-	649,080
Total U. S. Department of Housing and Urban Development				-	1,301,025
U. S. Department of Labor					
Homeless Veterans Reintegration Program	17.805	-	07-01-2023 to 06-30-2026	-	644,596
Total U. S. Department of Labor				-	644,596
U. S. Department of Health and Human Services					
Pass-Through Commonwealth of Pennsylvania's Department of Military and Veterans Affairs					
Opioid STR	93.788	DMVA-2023-100	07-01-2023 to 09-29-2023	-	135,000
Opioid STR	93.788	DMVA-2023-119	09-30-2023 to 09-29-2024	-	321,494
Total U. S. Department of Health and Human Services				-	456,494
Total Expenditures of Federal Awards				\$ -	\$ 16,597,496

See Independent Auditor's Report.

Veterans Multi-Service Center
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

1. GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents all of the federal program activities of Veterans Multi-Service Center, Inc.. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles. All financial assistance received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, is included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in the schedule may differ from certain financial reports submitted to funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards are reported on the statement of functional expenses as program expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations or agency matching or in-kind contributions which are not included.

4. INDIRECT COST RATE

VMC has not elected to use the 10% de minimis indirect cost rate for all federal grants.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the Veterans Multi-Service Center, Inc, which comprise the statement of financial position as of June 30, 2024, 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 our report thereon dated March 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Veterans Multi-Service Center'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.

Withum Smith + Brown, PC

March 10, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Veterans Multi-Service Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget *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, 2024. 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 our 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Veterans Multi-Service Center, Inc., and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our 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

Our 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 our 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 our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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 we 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.

We are 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 we 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.

Our 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 our audit we did not identify any deficiencies in internal control over compliance that we 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.

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

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

March 10, 2025

**Veterans Multi-Service Center
Schedule of Findings and Questioned Costs
June 30, 2024**

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	Name of Federal Program
64.033	US Department of Veterans Affairs – VA Supportive Services for Veteran Families Program
64.055	U.S. Department of Veterans Affairs – Staff Sergeant Parker Gordon Fox Suicide Prevention Grant
14.267	U.S. Department of Housing and Urban Development – Continuum of Care Program

- Dollar threshold used to distinguish between Type A and Type B programs Type A - \$750,000
- Auditee qualified as a low-risk auditee? _____X_____Yes _____No

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings - Financial Statements

None.

**Veterans Multi-Service Center
Schedule of Findings and Questioned Costs
June 30, 2024**

SECTION II – MAJOR FEDERAL PROGRAM FINDINGS

None

SECTION III – PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

CITY OF PHILADELPHIA SUPPLEMENTARY SCHEDULE

Veterans Multi-Service Center, Inc.
Office of Homeless Services
City of Philadelphia Contract
Reconciliation of Agency Reported Expenditures / Revenues to Audited Expenditures /
Revenues
Year ended June 30, 2024

	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
Personnel services			
Salaries	\$ 119,387	\$ -	\$ 119,387
Payroll taxes	8,794	-	8,794
Fringe benefits	<u>17,534</u>	<u>-</u>	<u>17,534</u>
Total personnel costs	<u>145,715</u>	<u>-</u>	<u>145,715</u>
Participant expenses			
Rental assistance	<u>526,491</u>	<u>-</u>	<u>526,491</u>
Total participant expenses	<u>526,491</u>	<u>-</u>	<u>526,491</u>
Total OSH contract expenditures	<u>672,206</u>	<u>-</u>	<u>672,206</u>
City of Philadelphia OHS			
Total OHS funding	<u>649,080</u>	<u>-</u>	<u>649,080</u>
Excess expenditures over contract funding	<u>\$ (23,126)</u>	<u>\$ -</u>	<u>\$ (23,126)</u>

See Independent Auditor's Report on Supplementary Information.