Veterans Multi-Service Center, Inc.
Financial Statements
June 30, 2025 and 2024
With Independent Auditor's Report

Veterans Multi-Service Center, Inc.
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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Veterans Multi-Service Center, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Veterans Multi-Service Center, Inc. as of June 30, 2025 and 2024 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Veterans Multi-Service Center, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Organization’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.

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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 Organization'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 Organization'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

The accompanying reconciliation 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*, is presented for purposes of additional analysis 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 GAAS. In our opinion, the reconciliation of agency reported expenditures / revenues to audit expenditures / revenues is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated January 15, 2026 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 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.

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January 15, 2026

Veterans Multi-Service Center, Inc.
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 3,457,401	$ 1,910,213
Grants and contracts receivable	1,402,773	1,986,822
Pledges receivable	152,665	96,022
Accounts receivable	26,461	-
Prepaid expenses and other assets	404,084	182,205
Total current assets	5,443,384	4,175,262
Property and equipment, net	1,067,581	1,152,653
Right of use assets - operating leases	1,115,455	1,136,606
Note receivable	574,343	563,081
Pledges receivable	25,000	-
Other assets	36,793	36,793
Total assets	$ 8,262,556	$ 7,064,395
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	$ 554,806	$ 357,462
Accrued expenses	476,646	284,211
Deferred revenue	881,143	127,170
Mortgages payable	606,404	32,451
Operating lease liabilities	432,468	353,723
Other payables	31,285	31,285
Total current liabilities	2,982,752	1,186,302
Long-term liabilities		
Operating lease liabilities	682,987	782,883
Mortgages payable	-	606,463
Total long-term liabilities	682,987	1,389,346
Total liabilities	3,665,739	2,575,648
Net assets		
Without donor restrictions	4,400,219	4,284,619
With donor restrictions	196,598	204,128
Total net assets	4,596,817	4,488,747
Total liabilities and net assets	$ 8,262,556	$ 7,064,395

The Notes to Financial Statements are an integral part of these statements.

Veterans Multi-Service Center, Inc.
Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contracts	$ 17,969,721	$ -	$ 17,969,721
Contributions	956,931	207,600	1,164,531
Contributions of nonfinancial assets	509,546	-	509,546
Lease income	185,930	-	185,930
Other income	176,228	-	176,228
Net assets released from restrictions	215,130	(215,130)	-
Total revenue	20,013,486	(7,530)	20,005,956
Expenses			
Program services			
Homeless Veteran Programs	16,999,332	-	16,999,332
Employment and Training Programs	756,557	-	756,557
	17,755,889	-	17,755,889
Supporting services			
Management and general	1,310,630	-	1,310,630
Fundraising	831,367	-	831,367
Total supporting services	2,141,997	-	2,141,997
Total expenses	19,897,886	-	19,897,886
Change in net assets	115,600	(7,530)	108,070
Net assets			
Net assets at beginning of year	4,284,619	204,128	4,488,747
Net assets at end of year	$ 4,400,219	$ 196,598	$ 4,596,817

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

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
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	505,045	(505,045)	-
Total revenue	19,140,157	(120,945)	19,019,212
Expenses			
Program services			
Homeless Veteran Programs	16,036,317	-	16,036,317
Employment and Training Programs	586,086	-	586,086
	16,622,403	-	16,622,403
Supporting services			
Management and general	1,273,646	-	1,273,646
Fundraising	520,414	-	520,414
Total supporting services	1,794,060	-	1,794,060
Total expenses	18,416,463	-	18,416,463
Change in net assets	723,694	(120,945)	602,749
Net assets			
Net assets at beginning of year	3,560,925	325,073	3,885,998
Net assets at end of year	$ 4,284,619	$ 204,128	$ 4,488,747

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, 2025

	Program Services			Supporting Services			
	Homeless Veteran Programs	Employment and Training Programs	Total Programs	Management and General	Fundraising	Total Support	Totals
Expenses							
Salaries	$ 5,346,452	$ 417,756	$ 5,764,208	$ 553,665	$ 283,325	$ 836,990	$ 6,601,198
Payroll taxes	387,993	30,639	418,632	37,666	20,315	57,981	476,613
Employee fringe benefits	1,067,555	77,776	1,145,331	96,189	55,287	151,476	1,296,807
Total personnel costs	6,802,000	526,171	7,328,171	687,520	358,927	1,046,447	8,374,618
Program and other direct expenses	7,545,884	115,424	7,661,308	163,909	464,489	628,398	8,289,706
Lease expenses	356,308	3,000	359,308	-	-	-	359,308
Sub-contractors	628,389	-	628,389	-	-	-	628,389
Office expense and supplies	295,500	23,244	318,744	146,063	3,835	149,898	468,642
Professional	967,098	45,474	1,012,572	52,713	-	52,713	1,065,285
Building maintenance	96,162	5,794	101,956	38,840	-	38,840	140,796
Vehicle fleet maintenance	89,635	-	89,635	65,985	-	65,985	155,620
Travel	99,343	37,450	136,793	3,388	3,116	6,504	143,297
Insurance	40,963	-	40,963	103,835	1,000	104,835	145,798
Depreciation	78,050	-	78,050	7,022	-	7,022	85,072
Bad debt expense	-	-	-	12,357	-	12,357	12,357
Interest expense	-	-	-	28,998	-	28,998	28,998
Total expenses	$ 16,999,332	$ 756,557	$ 17,755,889	$ 1,310,630	$ 831,367	$ 2,141,997	$ 19,897,886

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

	Program Services			Supporting Services			
	Homeless Veteran Programs	Employment and Training Programs	Total Programs	Management and General	Fundraising	Total Support	Totals
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.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Operating activities		
Change in net assets	$ 108,070	$ 602,749
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	12,357	40,077
Depreciation	85,072	97,052
Non-cash accrued interest on note receivable	(11,262)	(11,041)
Amortization of right of use assets	312,277	337,122
Changes in operating assets and liabilities:		
Grants and contracts receivable	584,049	(252,428)
Pledges receivable	(94,000)	(37,394)
Accounts receivable	(26,461)	-
Prepaid expenses and other assets	(221,879)	27,692
Accounts payable	197,344	49,771
Accrued expenses	192,435	(22,749)
Payments on lease liabilities	(312,277)	(337,122)
Deferred revenue	753,973	(170,950)
Other payables	-	(1,770)
Net cash provided by operating activities	1,579,698	321,009
Investing activity		
Purchases of property and equipment	-	(110,524)
Net cash used in investing activity	-	(110,524)
Financing activity		
Payments on mortgages payable	(32,510)	(30,951)
Net cash used in financing activity	(32,510)	(30,951)
Net change in cash and cash equivalents	1,547,188	179,534
Cash and cash equivalents		
Beginning of year	1,910,213	1,730,679
End of year	$ 3,457,401	$ 1,910,213
Supplemental disclosure of cash flow information		
Non-cash financing activity - initial recording of lease liabilities	$ 291,126	$ 508,090
Cash paid for interest	$ 28,998	$ 30,556

The Notes to Financial Statements are an integral part of these statements.

Veterans Multi-Service Center, Inc.
Notes to Financial Statements
June 30, 2025 and 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

a. 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:

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 Board of Directors.

With Donor Restrictions: Net assets subject to donor-imposed restrictions that will be met either by the actions of VMC or through the passage of time. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At June 30, 2025 and 2024, there were no net assets with donor restrictions requiring the funds to maintained in perpetuity.

b. 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 and a money market fund.

c. Grants and Contracts Receivable

VMC monitors the collectability of accounts receivable 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.

d. 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.

e. 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.

The building and improvements are being depreciated over 10-40 years. Equipment and vehicles are being depreciated over 3-7 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 years ended June 30, 2025 and 2024.

f. 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, 2025 and 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 payment.

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.

g. 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 $881,143 and $127,170 at June 30, 2025 and 2024, respectively.

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 statement 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.

Contributions of non-financial assets such as 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 is 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 years ended June 30, 2025 and 2024 was $185,930 and $193,755, respectively. Lease income is recorded on a straight-line basis over the term of the lease.

h. 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, VMC 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. VMC 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, 2025 and 2024. VMC has no income tax related penalties or interest for the period reported in these financial statements.

i. 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 for up to $250,000 or the Securities Investor Protection Corporation. Any loss incurred or lack of access to such funds could have a significant adverse impact on VMC’s financial condition, change in net assets, and cash flows.

j. 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. Significant allocated expenses include personnel costs, program and other direct expenses, lease expenses, office expense and supplies, and professional fees.

k. 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 period. Actual results could differ from those estimates. Significant estimates include the allowance for credit losses, depreciable lives of fixed assets, the value of operating lease right-of-use assets and liabilities, and the allocation of functional expenses.

l. Advertising Costs

Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2025 and 2024 were $396,479 and $120,357, including $394,705 and $114,800 of in-kind advertising expense, respectively.

3. Property and Equipment, Net

Property and equipment, net consisted of the following at June 30, 2025 and 2024:

	2025	2024
Land	$ 175,000	$ 175,000
Building	1,867,765	1,867,765
Building improvements	413,944	413,944
Equipment	4,805	4,805
Vehicles	267,472	267,472
	2,728,986	2,728,986
Less: Accumulated depreciation	(1,661,405)	(1,576,333)
	$ 1,067,581	$ 1,152,653

Depreciation expense was $85,072 and $97,052 for the years ended June 30, 2025 and 2024, respectively.

4. Pledges Receivable

VMC has outstanding pledges receivable due to be collected as follows at June 30, 2025 and 2024:

	2025	2024
Pledges expected to be collected		
Less than one year	$ 152,665	$ 96,022
One to five years	25,000	-
Total	$ 177,665	$ 96,022

5. 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 in the form of veteran’s housing vouchers to obtain a 20% interest in this limited partnership. The investment in the 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 years ended June 30, 2025 and 2024 was $11,262 and $11,041, respectively. The note is collateralized by the Edison 64 property.

6. Mortgages Payable

VMC has two outstanding mortgages at June 30, 2025 and 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 at June 30, 2025 were:

	One	Two	Totals
Current	$ 367,202	$ 239,202	$ 606,404

The combined mortgage balances at June 30, 2024 were:

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

The mortgage principal repayments are due as follows at June 30, 2025:

Fiscal Year Ended	Annual Maturity
June 30, 2026	$ 606,404

7. 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 September 1, 2025. There was no balance as of June 30, 2025 and 2024.

8. 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 years ended June 30, 2025 and 2024 totaled $194,356 and $190,312, respectively.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2025 and 2024:

	2025	2024
Purpose restrictions		
Women veterans' programs	$ -	$ 32,222
Staffing	1,239	44,806
Training programs	-	9,212
Veterans' assistance programs	13,798	63,094
Perimeter program	76,767	-
Other	54,794	54,794
Time restrictions		
Pledges receivable	50,000	-
Total net assets with donor restrictions	$ 196,598	$ 204,128

During the years ended June 30, 2025 and 2024 net assets of $215,130 and $505,045 were released from restrictions, respectively, which primarily consisted of expenditures related to veterans' assistance programs and employment and training programs.

10. Contributed Non-financial Assets

VMC recognized contributed nonfinancial assets within the revenue section of the statement of activities. All non-financial 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 of 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.

Contributed non-financial assets recognized within the statement of activities consisted of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Food and prepared meals	$ 61,232	$ 110,166
Gift cards	18,431	440
Home supplies	9,175	20,110
Clothing	23,200	164,080
Services	2,803	1,820
Facility usage	-	2,210
Advertising	394,705	114,800
Total contributed non-financial assets	$ 509,546	$ 413,626

11. Operating Leases

VMC leases various property and equipment under noncancelable operating leases expiring in various fiscal years ending through 2030. The leases require monthly payments ranging from approximately $120 to $5,630 and include optional renewal periods. Additionally, VMC leases various other facilities and equipment with terms of once year or less.

The statements of financial position include operating lease right-of-use assets as follows at June 30, 2025 and 2024:

	2025	2024
Operating lease right-of-use assets, gross	$ 2,135,474	$ 1,844,348
Less: Accumulated amortization of right-of-use assets	(1,020,019)	(707,742)
Total operating lease right-of-use assets, net	$ 1,115,455	$ 1,136,606

The following is a maturity analysis of the annual undiscounted cash flows of operating lease liabilities at June 30, 2025:

Fiscal Year Ending	Lease Commitments
June 30, 2026	$ 478,419
June 30, 2027	408,090
June 30, 2028	173,043
June 30, 2029	117,967
June 30, 2030	25,729
Total lease payments	1,203,248
Less: Imputed interest	(87,793)
Total lease obligations	1,115,455
Less: Current portion	(432,468)
Long-term portion of lease liability	$ 682,987

Cash paid on lease liabilities was $312,277 and $337,122 for the years ended June 30, 2025 and 2024.

The weighted average remaining lease term was approximately 2.09 and 3.50 years at June 30, 2025 and 2024, respectively. The weighted average discount rate was approximately 5% at June 30, 2025 and 2024.

The following table summarizes the composition of lease expense for the years ended June 30, 2025 and 2024:

	2025	2024
Operating lease expense	$ 312,277	$ 307,314
Short-term lease expense	138,399	67,583
Total lease expense	$ 450,676	$ 374,897

12. Liquidity and Availability of Resources

Financial assets available and anticipated for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2025and 2024:

	2025	2024
Financial assets		
Cash and cash equivalents	$ 3,457,401	$ 1,910,213
Grants and contracts receivable	1,402,773	1,986,822
Pledges receivable	152,665	96,022
	5,012,839	3,993,057
Less: Financial assets unavailable for current expenditures		
Net assets with purpose restrictions	(146,598)	(204,128)
Net assets with time restrictions	(25,000)	-
	$ 4,841,241	$ 3,788,929

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.

13. Litigation

VMC is involved, from time to time, in litigation at various stages, related to its 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.

14. Subsequent Events

VMC has evaluated subsequent events occurring after the statement of financial position date through January 15, 2026, which is the date the financial statements were available to be issued. Both mortgages payable that were outstanding at June 30, 2025 were repaid in full in July and August 2025. VMC has determined that no other subsequent events have occurred that require disclosure in or adjustment to the financial statements.

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, 2025

	Agency Total Contract Expenditures	Adjustments	Amount per Audit
Personnel services			
Salaries	$ 40,568	$ -	$ 40,568
Payroll taxes	3,092	-	3,092
Fringe benefits	8,962	-	8,962
Total personnel costs	52,622	-	52,622
Participant expenses			
Rental assistance	620,624	-	620,624
Total participant expenses	620,624		620,624
Total OSH contract expenditures	673,246	-	673,246
City of Philadelphia OHS			
Total OHS funding	671,023	-	671,023
Excess expenditures over contract funding	$ (2,223)		$ (2,223)

See Independent Auditor's Report on Supplementary Information.

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ADVISORY TAX AUDIT

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 Veterans Multi-Service Center, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Veterans Multi-Service Center, Inc.'s internal control over financial reporting (internal control) 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 Veterans Multi-Service Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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. 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 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*.

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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, Inc.'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith+Brown, PC

January 15, 2026