

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2009

Audited Financial Statements

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

Supplemental Information

Schedule of Functional Expenses	11
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Philadelphia Veterans Multi-Service
& Education Center, Inc.
Philadelphia, Pennsylvania

I have audited the accompanying statement of financial position of **The Philadelphia Veterans Multi-Service & Education Center, Inc.**, as of June 30, 2009, and the related statement of activities, and statement of cash flows for the year then ended. These financial statements are the responsibility of the management of **The Philadelphia Veterans Multi-Service & Education Center, Inc.** My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Also, an audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **The Philadelphia Veterans Multi-Service & Education Center, Inc.**, as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of *The Philadelphia Veterans Multi-Service & Education Center, Inc.*, taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analyses and is not a required part of the financial statements of the center. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert F. Burock

ROBERT F. BUROCK, CPA

Bala Cynwyd, Pennsylvania
October 13, 2009

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 95,235
Deferred income	75,000
Mortgage payable	60,208
Accrued vacation and personal leave	46,397
Accrued payroll and related taxes	12,848
Accrued interest payable	<u>1,685</u>
Total current liabilities	<u>291,373</u>

Long-term liabilities:

Mortgage payable	<u>366,368</u>
Total long-term liabilities	<u>366,368</u>

Other liabilities:

Security deposits held as fiduciary	14,300
Resident security deposits held in escrow	<u>11,800</u>
Total other liabilities	<u>26,100</u>
Total liabilities	<u>683,841</u>

Net assets:

Unrestricted	759,482
Temporarily restricted	<u>730,758</u>
Total net assets	<u>1,490,240</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,174,081

**THE PHILADELPHIA VETERANS
MULTI-SERVICE & EDUCATION CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

<u>REVENUES:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
Contract revenues	\$ 75,000	\$ 2,290,064	\$ 2,365,064
Resident fees	-	299,172	299,172
Grant awards and contributions	127,017	150,500	277,517
Fund-raising	203,981	-	203,981
Rental income	117,752	-	117,752
HUD program and other government grants	-	100,617	100,617
Other income	25,578	-	25,578
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>3,110,997</u>	<u>(3,110,997)</u>	<u>-</u>
Total revenues	<u>3,660,325</u>	<u>(270,644)</u>	<u>3,389,681</u>
 <u>EXPENSES:</u>			
<i>Program Services:</i>			
Training	477,412	-	477,412
Housing / Homeless	<u>2,633,585</u>	<u>-</u>	<u>2,633,585</u>
<i>Total program services</i>	<u>3,110,997</u>	<u>-</u>	<u>3,110,997</u>
 <i>Supporting Services</i>			
Management and general	365,536	-	365,536
Fund-raising	<u>39,815</u>	<u>-</u>	<u>39,815</u>
Total supporting services	<u>405,351</u>	<u>-</u>	<u>405,351</u>
Total expenses	3,516,348	-	3,516,348
Change in net assets	143,977	(270,644)	(126,667)
Net assets - July 1, 2008	<u>615,505</u>	<u>1,001,402</u>	<u>1,616,907</u>
Net assets - June 30, 2009	<u>\$ 759,482</u>	<u>\$ 730,758</u>	<u>\$ 1,490,240</u>

See accompanying notes to financial statements.

**THE PHILADELPHIA VETERANS
MULTI-SERVICE & EDUCATION CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities:

Change in net assets	\$(126,667)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	69,425
Change in investments	249
Change in receivables	(20,882)
Change in prepaid expenses and security deposits	(24,792)
Change in payables and other liabilities	5,635
Change in deferred income	(<u>75,000</u>)
Cash (used) by operations	(<u>172,032</u>)

Cash flows from financing activities:

Principal repayment of mortgage payable	(<u>56,153</u>)
Cash (used) by financing activities	(<u>56,153</u>)

Cash flows from investing activities:

Purchase of fixed assets	(<u>15,069</u>)
Cash (used) by investing activities	(<u>15,069</u>)

Net change in cash (243,254)

Cash balance – July 1, 2008 336,142

Cash balance – June 30, 2009 \$ 92,888

See accompanying notes to financial statements.

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – DESCRIPTION OF ORGANIZATION

The *Philadelphia Veterans Multi-Service & Education Center, Inc.* is a non-profit corporation providing outreach, counseling, employability assessment, job training and placement, transitional living, and supportive services to veterans in the metropolitan Philadelphia area.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The center has applied *Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations,"* during the fiscal year being reported upon. This requires the center to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The center does not have any permanently restricted net assets to report upon as of June 30, 2009.

The financial statements of the center have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

Revenues: The center recognizes most revenues on a fee-for-service basis with other sources being grants, contributions, fund-raising, and rental income.

Tax status - *The Philadelphia Veterans Multi-Service & Education Center, Inc.* is incorporated in the Commonwealth of Pennsylvania under provisions of the Non-Profit Corporation Law. Also, the corporation has been granted an exemption from federal corporate income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements have no provision for corporate income taxes.

Unrestricted net assets - Unrestricted net assets are available for use in general operations.

Allocation of expenses - The costs of providing various program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated to program and supporting services, as illustrated in the schedule of functional expenses.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, and the differences may be material.

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - PENSION PLAN

The center provides a defined contribution pension plan for all eligible employees. The plan is governed by conditions established under Internal Revenue Code section 403(b). Plan contributions are invested at the direction of plan participants, in one or more funding options available to them under the plan. Plan contributions are held for the exclusive benefit of participants. All benefits are fully funded. The pension expense for the fiscal year ended June 30, 2009, was \$74,748.

NOTE 4 - FIXED ASSETS

Depreciation - All fixed assets are recorded at cost and are depreciated on the straight-line method of depreciation over the estimated useful lives of the assets. The building and renovations are being depreciated over a life of 40 years. Vehicles and equipment are being depreciated between 3 and 10 years. Land and works of art are not subject to depreciation.

The detail of fixed assets as of June 30, 2009, is as follows:

Land	\$	175,000
Building and renovations		1,855,685
Vehicles		142,776
Leasehold improvements		74,766
Equipment		31,341
Artwork		<u>17,000</u>
Sub-total		2,296,568
Less: accumulated depreciation		<u>641,730</u>
Fixed assets (net of Accum. Depr.)	\$	<u>1,654,838</u>

Fixed assets are tangible property used in the operations of a business, but which are not expected to be consumed or converted into cash in the ordinary course of events. Machinery and equipment, furniture and fixtures, and leasehold improvements comprise the fixed assets of many organizations. They are considered "fixed" or "permanent" in that they will benefit an organization for more than one fiscal year. Their "cost" or "basis" is depreciated over the estimated useful lives of the assets. The annual provision for depreciation expense for the fiscal year ended June 30, 2009, was \$69,425.

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 - INVESTMENTS

Investments in marketable securities are recorded at market value at June 30, 2009, which is in accordance with generally accepted accounting principles through Financial Accounting Standards Board (FASB) Statement No. 124. The market value at June 30, 2009, was \$4,911.

NOTE 6 – CONTINGENT LIABILITY

A significant part of funding of the renovations to the center's facility at 213 – 217 North 4th Street in Philadelphia was done by various federal agencies. The Philadelphia Redevelopment Authority (RDA) administered some of these renovation funds and has issued a lien against the building until the center meets certain contracted commitments. The center is required to continue operating the building as a non-profit social service organization for 20 years, through December 2019.

The total lien amount is \$710,290. Through December 2009, the first ten years of the lien, the amount remains unchanged. In years 11 – 20, the amount is amortized annually at 10% of the lien amount. The lien will be released in December 2019.

NOTE 7 – MORTGAGE PAYABLE

A Philadelphia regional bank provided financing for the acquisition and some renovation costs for the facility at 213 - 217 North 4th Street in Philadelphia. The commercial mortgage terms are computed and adjusted every five years. The rate computation is 80% of the then current 5-year treasury yield + 2.50%. The current rate until September 1, 2010, is 5.08%. The monthly payment is \$6,638. The current and long-term portions are \$60,208, and \$366,368, respectively, for a total mortgage of \$426,576.

Maturities of long-term debt for the five years succeeding June 30, 2009, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Maturity</u>
June 30, 2010	\$ 60,208
June 30, 2011	65,730
June 30, 2012	69,148
June 30, 2013	72,743
June 30, 2014	76,526
Thereafter	82,221

The reader of these financial statements must keep in mind that the interest rate will change on September 1, 2010, and that the annual debt service of the outstanding loan

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

balance will change and the difference may be significant in the form of higher interest expense.

The same bank provides a \$300,000 line of credit to the center. The interest rate on the line is prime + 0.5% and is renewable annually. There was no balance owed at June 30, 2009. Both obligations are secured by the building and its improvements.

NOTE 8 – NET ASSET CATEGORIES

The center applied Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organizations*,” during the fiscal year being reported upon.

Unrestricted Net Assets are those available for general use by the organization. This supporting category includes the functions necessary to secure proper administrative functioning of the organization, maintain an adequate work environment, and manage the financial responsibilities of the organization.

Temporarily Restricted Net Assets contain grantor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the organization. These net assets are then released and reclassified to unrestricted net assets, from which they are expended. During the year ended June 30, 2009, \$3,110,997 of temporarily restricted net assets were transferred to unrestricted net assets and expended in fulfillment of grant-imposed restrictions.

Permanently Restricted Net Assets are those that the donor stipulates must be maintained by an organization in perpetuity. Permanently restricted net assets increase when organizations receive contributions for which donor-imposed restrictions limiting an organization’s use of an asset or its economic benefits neither expire with the passage of time nor can be removed by an organization’s meeting certain requirements.

The center has no permanently restricted net assets as of the fiscal year ended June 30, 2009.

NOTE 9 - DEFERRED INCOME

Monies received in advance of services being rendered are referred to as deferred income, which is a liability to the center. Prior to the fiscal year end, the center received a grant award from an agency. As this money was received in advance of services being rendered by the center as of June 30, 2009, the center did not yet meet the grant conditions. Therefore, the \$75,000 is a deferred income at the fiscal year end. As services are rendered in the next fiscal year, income will be recognized and the liability will be reduced accordingly.

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 - PLEDGES RECEIVABLE

The center was the beneficiary of a local "radio-thon" in June 2009. Pledges from the event totaled \$80,672. In accordance with Financial Accounting Standards Board Statement No. 116, "*Accounting for Contributions Received and Contributions Made*," the center has recognized the pledges as current fiscal year income. At June 30, 2009, \$61,940 remained as a pledges receivable balance on the statement of financial position. This amount was fully collected as of the date of this report, October 13, 2009.

NOTE 11 – ACCRUED VACATION AND PERSONAL LEAVE

The center is applying "*Statement of Financial Accounting Standards*" Statement No. 43 (SFAS) to recognize the liability for accrued vacation and personal leave pay. SFAS No. 43 states an employer should accrue a liability for employees' compensation of future absences when the following conditions are met:

- 1 - The employees' rights to receive compensation for future absences are attributable to services already rendered.
- 2 - The rights vest or accumulate.
- 3 - Payment of the compensation is probable.
- 4 - The amount of the payment is reasonably estimated.

The center has met the criteria. The accrued vacation and personal leave liabilities at June 30, 2009 totaled \$46,397.

NOTE 12 – SECURITY DEPOSITS HELD AS FIDUCIARY

The center has a contract with the City of Philadelphia's *Office of Supportive Housing*. The contract is funded by the federal government under Title IV of the Stewart B. McKinney Homeless Assistance Act under the U. S. Department of Housing and Urban Development.

The center contracts with landlords who provide permanent housing to veterans. Most rental arrangements are subsidized by the grant on a monthly basis. In addition, the center advances a rental deposit to the landlord. This deposit may be forfeited if damages occur at the property. As of June 30, 2009, the center had a total of \$14,300 in security deposits being held by landlords. This is recognized as an "other asset" on the statement of financial position. A liability for the same amounts also exists, as these balances, if returned to the center, are to be returned to the city.

**THE PHILADELPHIA VETERANS MULTI-SERVICE
& EDUCATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 13 – CASH AND EQUIVALENTS

The organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Balances stated at fair value, at June 30, 2009, include:

Cash – checking	\$ 28,726
Bank money market account	<u>64,162</u>
Total investments	\$ <u>92,888</u>

Cash equivalents consist of a non-interest bearing commercial, nonprofit checking account, and an interest paying money market account with no restriction as to access by the organization.

Income earned on cash equivalents in fiscal year 2009 totaled \$1,918.