

***VETERANS PLACE OF
WASHINGTON BOULEVARD, INC.***

FINANCIAL AND COMPLIANCE AUDIT

Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Veterans Place of Washington Boulevard, Inc.
Pittsburgh, Pennsylvania**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Veterans Place of Washington Boulevard, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Veterans Place of Washington Boulevard, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Place of Washington Boulevard, 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 opinions.

Emphasis of Matter

As discussed in Note 1 of the financial statements, in 2023, Veterans Place of Washington Boulevard, Inc. adopted FASB ASC 2016-13, Financial Instruments - *Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments, Current Expected Credit Losses (CECL)*. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, Veterans Place of Washington Boulevard, Inc. released restricted money in 2022 related to construction projects. Upon further investigation, it was determined that contributions received for capital asset purposes were released from restriction when the purpose for which they were intended was met rather than when the related asset was placed into service. Donor restricted contributions related to capital improvements should remain in net assets with donor restrictions until the related asset is placed in service. Accordingly, opening net asset balances have been restated in the accompanying financial statements. Our opinion is not modified with respect to this matter.

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 Place of Washington Boulevard, 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 for the purpose of expressing an opinion on the effectiveness of Veterans Place of Washington Boulevard, 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 Veterans Place of Washington Boulevard, 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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2024, on our consideration of Veterans Place of Washington Boulevard, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Place of Washington Boulevard, 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 Place of Washington Boulevard, Inc.'s internal control over financial reporting and compliance.

Herbein + Company, Inc.

Pittsburgh, Pennsylvania
August 26, 2024

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,113,169
Grants and contributions receivable	58,405
Veterans Administration per diem receivable	97,061
Service fee and other receivables, net	1,941
Prepaid expenses	<u>40,497</u>
TOTAL CURRENT ASSETS	1,311,073
NONCURRENT ASSETS	
Restricted cash for construction	282,908
Right-of-use asset - operating lease	38,996
Property and equipment, net	<u>3,943,784</u>
TOTAL NONCURRENT ASSETS	<u>4,265,688</u>
TOTAL ASSETS	<u><u>\$ 5,576,761</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 64,595
Accounts payable - construction	836,586
Accrued payroll and payroll liabilities	20,174
Refundable advances	141,327
Operating lease liability - current	<u>13,991</u>
TOTAL CURRENT LIABILITIES	1,076,673
NONCURRENT LIABILITIES	
Mortgages payable	1,151,300
Construction note	21,454
Operating lease liability, net	<u>25,005</u>
TOTAL NONCURRENT LIABILITIES	<u>1,197,759</u>
TOTAL LIABILITIES	2,274,432
NET ASSETS	
Without donor restrictions:	
Undesignated	2,189,399
Board-designated	<u>38,723</u>
	2,228,122
With donor restrictions	<u>1,074,207</u>
TOTAL NET ASSETS	<u>3,302,329</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,576,761</u></u>

See accompanying notes.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT			
Veterans Administration per diem revenue	\$ 1,438,218	\$ -	\$ 1,438,218
Service fee revenue, net	95,359	-	95,359
Grants from governmental agencies	540,235	-	540,235
Contributions	297,948	314,570	612,518
Fundraising events, net of direct expenses - \$10,686	24,659	-	24,659
Contributed nonfinancial assets	13,468	-	13,468
Other income	1,618	-	1,618
	<u>2,411,505</u>	<u>314,570</u>	<u>2,726,075</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>202,001</u>	<u>(202,001)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	2,613,506	112,569	2,726,075
EXPENSES			
Program services	2,348,931	-	2,348,931
Management and general	101,127	-	101,127
Fundraising expenses	142,544	-	142,544
	<u>2,592,602</u>	<u>-</u>	<u>2,592,602</u>
CHANGE IN NET ASSETS	20,904	112,569	133,473
NET ASSETS AT BEGINNING OF YEAR (as restated)	<u>2,207,218</u>	<u>961,638</u>	<u>3,168,856</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,228,122</u>	<u>\$ 1,074,207</u>	<u>\$ 3,302,329</u>

See accompanying notes.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program			Total Program	Management and General	Fundraising	Total
	Transitional Housing	Service Center	Homeless Veterans Reintegration Program				
EXPENSES							
Salaries and wages	\$ 631,121	\$ 265,688	\$ 190,284	\$ 1,087,093	\$ 35,317	\$ 60,830	\$ 1,183,240
Payroll taxes	47,733	18,010	14,014	79,757	2,791	7,049	89,597
Employee benefits	95,196	44,999	28,542	168,737	5,715	6,721	181,173
Total salaries and benefits	<u>774,050</u>	<u>328,697</u>	<u>232,840</u>	<u>1,335,587</u>	<u>43,823</u>	<u>74,600</u>	<u>1,454,010</u>
Contract maintenance	92,760	34,080	-	126,840	1,003	461	128,304
Facility repairs and maintenance	15,381	9,195	1	24,577	4	2	24,583
Fire systems testing and maintenance	9,492	330	-	9,822	2	3	9,827
Food expense	8,481	26,304	-	34,785	2,959	2,134	39,878
Insurance	40,627	10,405	2,189	53,221	2,828	-	56,049
Office and IT equipment	6,207	6,218	2,252	14,677	382	585	15,644
Office supplies	11,273	9,288	4,265	24,826	769	9,751	35,346
Other	4,006	8,096	453	12,555	945	10,993	24,493
Printing and publication	70	502	155	727	995	1,074	2,796
Professional services	157,129	60,581	33,600	251,310	41,124	19,091	311,525
Security monitoring	1,150	-	-	1,150	-	-	1,150
Staff travel and meeting expense	97	7,905	6,351	14,353	26	70	14,449
Supplies	4,588	62,806	52,534	119,928	1,367	21,675	142,970
Utilities	100,788	18,258	20,466	139,512	1,802	2,105	143,419
Vehicle expense	4,267	2,847	-	7,114	214	-	7,328
Depreciation	<u>162,913</u>	<u>15,034</u>	<u>-</u>	<u>177,947</u>	<u>2,884</u>	<u>-</u>	<u>180,831</u>
TOTAL EXPENSES	<u>\$ 1,393,279</u>	<u>\$ 600,546</u>	<u>\$ 355,106</u>	<u>\$ 2,348,931</u>	<u>\$ 101,127</u>	<u>\$ 142,544</u>	<u>\$ 2,592,602</u>

See accompanying notes.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 133,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	180,831
Contributions received for long-term purposes	(147,694)
Noncash lease expense	14,490
Change in:	
Grants and contributions receivable	174,286
Veterans Administration per diem receivable	39,531
Service fee and other receivables, net	2,161
Prepaid expenses	(8,463)
Accounts payable and accrued expenses	(2,479)
Accrued payroll and payroll liabilities	(3,797)
Refundable advances	141,327
Operating lease liability	(14,490)

NET CASH PROVIDED BY OPERATING ACTIVITIES 509,176

CASH FLOWS FROM INVESTING ACTIVITIES

Contributions received for long-term purposes	147,694
Purchase/construction of property and equipment	(438,794)

NET CASH USED BY INVESTING ACTIVITIES (291,100)

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings on construction note	21,454
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NET INCREASE IN CASH AND CASH EQUIVALENTS 239,530

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 1,156,547

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,396,077

THE COMPONENTS OF CASH AND CASH EQUIVALENTS IS AS FOLLOWS:

Cash	\$ 1,113,169
Restricted cash for construction	282,908
	<u>\$ 1,396,077</u>

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Veterans Place of Washington Boulevard, Inc. (the "Organization") was organized as a nonprofit organization in 1996. The goal of the Organization is to provide a continuum of care to homeless veterans in the Western Pennsylvania region. The Organization offers two primary service lines in this pursuit: a Transitional Housing program and a Service Center that is utilized for various on-site programs. The first service line, Transitional Housing, consists of 13 renovated townhouses located on Washington Boulevard, providing single room occupancy rooms for up to 48 homeless veterans, both male and female. This program has been successfully housing and providing essential services to homeless veterans with the central goal of achieving permanent housing since February 2004. The second service line, the Organization's on-site Service Center, has been helping both residents of the Transitional Housing program and non-residents throughout the region with meals, clothing, case management, health-related referrals, employment assistance, and other services designed to address the root issues that cause homelessness, including chemical dependency and mental illness, since 2010. The Service Center operates as the front line for homeless veterans living in the streets and shelters and acts as a gateway to other programs and services in the region.

Additionally, during 2023 the Organization received a grant to conduct the Homeless Veterans' Reintegration Program (HVRP). HVRP is an employment focused competitive grant program of the Department of Labor, Veterans' Employment and Training Service (DOL-VETS), the only federal grant to focus exclusively on competitive employment for homeless veterans.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash

For the purposes of reporting cash flows, the Organization considers all highly-liquid investments to be cash on the accompanying statement of financial position.

At various times during the year, the Organization may have cash balance in excess of the federally insured limit in deposits accounts at local banks.

At December 31, 2023 the Organization has cash restricted for construction projects totaling \$282,908.

Grants and Contributions Receivable

Grants receivable represent amounts due from funding sources for eligible expenditures incurred prior to reimbursement. Contributions receivable represent unconditional promises to give by donors that have not been received. Management has determined that no allowances were considered necessary at December 31, 2023. All receivables are considered to be collectible and to be received within one year.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables

Veterans Administration per diem receivable and service fee receivables represents amounts due from funding sources and residents and are stated at the amount management expects to collect from outstanding balances.

Allowance for Credit Losses

The Organization maintains an allowance for credit losses for expected uncollectible receivables, which is recorded as an offset to receivable and provisions for credit losses are recorded as a credit to the revenue on the statement of activities. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance for current expected credit losses is based on a review of customer accounts and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts regarding future events and any other factors deemed relevant by the Organization. The allowance for credit losses is reviewed on an annual basis to assess the adequacy of the allowance.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

Customer balances due are not material, and therefore, no allowance was deemed necessary for the year ended December 31, 2023. Service fee write offs totaled \$27,774 for the year ended December 31, 2023.

Leases

The Organization leases a copier. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The copier is included in right-of-use (ROU) asset - operating lease and operating lease liability on the statement of financial position.

The Organization elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

The Organization elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Organization's lease term may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred. There are no associated variable lease costs with the lease noted above.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at estimated fair market value at date of donation, if donated. The Organization's policy is to capitalize any assets in excess of \$5,000 with an estimated useful life of more than one year. Property and equipment are being depreciated over their estimated useful lives by the straight-line method as follows:

Building and improvements	15 - 40 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 years
Computer equipment	3 - 5 years

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Organization's mission are included in this category.

Net Assets with Donor Restrictions - Net assets with donor restrictions includes gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or to specified purposes.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they 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, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction. Capital contributions are reclassified as net assets without donor restrictions when the purpose restriction is met and the related assets are placed into service.

Revenue

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised goods or services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied.

The Organization records the following exchange transaction revenue in its statement of activities:

Veterans Administration Per Diem Revenue

Veterans Place of Washington Boulevard, Inc. receives referrals from the Veterans Administration to provide a range of services to eligible veterans. Once those services have been provided, the Organization invoices the Veterans Administration. The transaction price is a per diem rate for the type of service provided. The revenue is recorded after the service is provided and the performance obligation is met. The transaction price is recorded as a contract asset (accounts receivable) and revenue when the performance obligation is satisfied. Per diem receivable at December 31, 2023 was \$97,061. Accounts receivable at January 1, 2023 totaled \$136,592.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue – continued

Service Fee Revenue

The Organization charges a fee for service to veterans receiving benefits. The fee is based on the person's income, living situation, and various other factors. The transaction price is set at the stated percentage of the person's income. The revenue is recorded after services are provided and the performance obligation is met. The transaction price is recorded as a contract asset (accounts receivable) and revenue when the performance obligation is satisfied. Service fee receivable at December 31, 2023 was \$1,941. Accounts receivable at January 1, 2023 totaled \$4,102.

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. Refundable advances include \$141,327 of advances whose conditions have not been met at December 31, 2023.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets - continued

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would be otherwise purchased by the Organization. A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since they did not meet the criteria for recognition.

Advertising

Advertising costs are non-direct response and expensed when incurred. Advertising expense for the year ended December 31, 2023 was \$10,489 and is included in other expenses on the statement of functional expenses..

Functional Expense Allocations

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on estimates made by the Organization, including time estimates, program utilization, square footage, or other appropriate usage factors for the programs and supporting services benefited. The Organization allocates indirect costs in accordance with its own specific cost allocation plan, which provides a systematic and reasonable allocation of costs to all programs.

Tax Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions, if any, as required.

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 revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Standard

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments, Current Expected Credit Losses (CECL)*, which changed the way companies evaluate credit losses for most financial assets and certain other instruments that aren't measured at fair value. The standard requires entities to use a new forward-looking expected loss model to evaluate impairment, instead of the prior incurred loss model. Financial assets held by the Organization that were subject to Topic 326 were service fee receivables. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 26, 2024, the date the financial statements were available to be issued. See Note 13 for subsequent event disclosures.

NOTE 2 - GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization had grants and contributions receivable as follows at December 31, 2023:

US Department of Labor - Homeless Veterans' Reintegration Program	\$	4,417
US Department of Veterans Affairs Case Management Grant Program		36,488
Contributions receivable		<u>17,500</u>
	\$	<u>58,405</u>

NOTE 3 - LEASES

The Organization has an operating lease agreement for a copier. The term of this lease is 57 months with minimum annual total payments of \$14,490. Per the lease agreement, payments are made monthly.

The Organization included the following amounts related to operating lease assets and liabilities within the statement of financial position at December 31, 2023:

Assets	Classification	
Right-of-use asset	Operating lease	\$ 38,996
Liabilities		
Current		
Operating lease	Current portion of operating lease liability	\$ 13,991
Long-term		
Operating lease	Noncurrent portion of operating lease liability	\$ 25,005

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3 - LEASES - CONTINUED

The components of lease expense were as follows for the year ended December 31, 2023:

Operating lease expense	\$	14,490
Variable lease expense		-
Short-term lease expense		-

Supplemental cash flow information related to the lease was as follows for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	\$	14,490

Right-of-use asset obtained in exchange for lease obligation:		
Operating lease		-

Supplemental balance sheet information related to the lease was as follows at December 31, 2023:

Weighted Average Remaining Lease Term		
Operating lease		2.75 years
Weighted Average Discount Rate		
Operating lease		1.53%

Maturities of the lease liability are as follows for the years ending December 31:

	Operating Lease
2024	\$ 14,490
2025	14,490
2026	10,867
Total lease payments	39,847
Less: present value discount	(851)
Total	<u>\$ 38,996</u>

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment balances and activity consist of the following for the year ended December 31, 2023:

	Beginning Balance 1/1/2023	Additions/ Depreciation	Transfers and Disposals	Ending Balance 12/31/2023
Land, building and improvements	\$ 4,344,902	\$ 24,569	\$ 2,500	\$ 4,371,971
Furniture and fixtures	216,278	-	-	216,278
Motor vehicles	171,043	-	-	171,043
Computer equipment	70,432	-	-	70,432
Construction in progress	236,318	1,220,173	(2,500)	1,453,991
	<u>5,038,973</u>	<u>1,244,742</u>	<u>-</u>	<u>6,283,715</u>
Accumulated depreciation	<u>(2,159,100)</u>	<u>(180,831)</u>	<u>-</u>	<u>(2,339,931)</u>
Net Property and Equipment	<u>\$ 2,879,873</u>	<u>\$ 1,063,911</u>	<u>\$ -</u>	<u>\$ 3,943,784</u>

Land is included in the above amounts at December 31, 2023 at a value of \$27,331.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 5 - MORTGAGES AND CONSTRUCTION NOTE PAYABLE

Mortgages and construction note payable consist of the following:

	December 31, 2023
<p>Mortgage note payable to the Allegheny County Department of Economic Development HOME Investment Partnership program ("HOME Loan") in the original amount of \$805,600 for substantial rehabilitation of the 13 existing row-house structures into 48 units of single-room occupancy housing for homeless veterans. The agreement was restricted retroactively to November 30, 2001 in the form of a 0% interest loan secured by a first lien position on the mortgage. The loan repayment schedule is based on 100% of the previous year's cash flows. These cash flows are defined as the excess of all income from the operation of the dwelling units located on the property over the operating expenses and ad valorem taxes on the same dwelling units located on the property. The loan is scheduled to mature in November 2035.</p>	\$ 106,578
<p>Mortgage note payable to the Allegheny County Department of Economic Development Community Development Block Grant ("CDBG") program in the original amount of \$615,000. The loan was restructured retroactively to November 30, 2001, and all loan payments originally applied as principal debt repayments on this loan have been reapplied as debt principal payments to the HOME loan as noted above. The loan is subordinate to the HOME loan, debt principal payments will not begin until the entire principal balance of the HOME loan has been repaid. At that time, the loan repayment schedule shall be based on 60% of the previous year's cash flows. The loan is scheduled to mature in November 2035.</p>	615,000
<p>Mortgage note payable to the Urban Redevelopment Authority ("URA") of Pittsburgh in the original amount of \$455,000. The loan is secured by a third priority lien on the property and bears no interest. The loan was restructured retroactively to November 30, 2001. Payments on the URA loan will be made simultaneously with the CDBG loan after the entire principal balance of the HOME loan has been repaid. At that time, annual payment of principal of the lesser of \$15,167 or an amount equal to 40% of the previous year's cash flow will be required. The loan is scheduled to mature in December 2035.</p>	429,722
<p>Construction mortgage to First National Bank for the expansion of the main campus to be used as bridge financing until grant funds are received. The mortgage amount is \$2,000,000 for 36 months, accrues interest at the prime rate published in The Wall Street Journal (8.5% at December 31, 2023), and is secured by a first lien on the property. Monthly payments of interest in arrears are due throughout the term with the principal due at maturity.</p>	<u>21,454</u>
<p>Total Mortgages Payable and Construction Note Payable</p>	<u>\$ 1,172,754</u>

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 6 - NET ASSETS

The Organization's net assets without donor restriction are comprised of undesignated and designated funds. From time to time the board may designate funds a portion of net assets for specific purposes which would be included with net assets without donor restrictions. At December 31, 2023, the board designated funds totaling \$7,000, \$6,723, and \$25,000 for art therapy, fundraising, and operating reserves, respectively.

Net assets with donor restrictions are comprised of the following as of December 31, 2023:

Time or purpose:		
Capital Campaign	\$	58,597
Infrastructure		514,586
Veterans Resource Center		128,905
Memorial Plaque		15,973
Female Veteran Program		1,079
Other Programs		1,650
Workforce Development		335,000
Christmas Gifts		3,860
Fundraising		1,500
Food Pantry		11,133
Program to Aid Citizen Enterprise		<u>1,924</u>
Total net assets with donor restrictions	\$	<u>1,074,207</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows at December 31, 2023:

Time or purpose:		
Day program	\$	531
Food Pantry		442
Veterans Resource Center		157,507
Female Veteran Program		1,221
Minority and Female Veteran Program		11,078
Other Programs		1,991
Program to Aid Citizen Enterprise		<u>29,231</u>
Total net assets released from restrictions	\$	<u>202,001</u>

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 7 - SPECIAL EVENTS

Special events are comprised of the Organization's various fundraising activities. For financial statement purposes, these items are identified as follows at December 31, 2023:

	<u>Income</u>	<u>Expense</u>	<u>Net</u>
Cornhole Tournament	\$ 35,345	\$ 10,686	\$ 24,659

NOTE 8 - CONTRIBUTED NONFINANCIAL ASSETS

The value of donated services and materials provided by local businesses and individuals to benefit the Organization included with revenue in the accompanying financial statements totaled \$13,468 and were comprised of discounted legal services of \$2,675, food bank supplies of \$793, and advertising of \$10,000, during the year ended December 31, 2023.

Valuation Techniques:

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets, or if they required specialized skills that would need to be purchased, if they were not donated. The above services received are valued at current rates for similar services. Donated auction items are valued according to the actual cash proceeds from the auction.

Donor Restrictions:

There were no restrictions on contributed nonfinancial assets at December 31, 2023. The Organization does not sell donated contributed nonfinancial assets and only utilized the contributed nonfinancial assets for the programs detailed above.

NOTE 9 - RETIREMENT PLAN

The Organization has established a retirement plan under the guidelines of a Savings Incentive Match Plan for Employees (SIMPLE) plan. Employees who have received at least \$5,000 in compensation during any one calendar year are eligible to participate. The Organization makes a matching contribution up to 3% of the employees' elective deferral. The Organization may make a non-elective contribution up to 2% of eligible compensation. The Organization did not make a non-elective contribution during 2023. Total pension expense recognized by the Organization for 2023 was \$18,950.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 - CONCENTRATIONS, COMMITMENTS, AND CONTINGENCIES

For the year ended December 31, 2023, a significant portion of the Organization's revenue is the result of grant funding received through the U.S Department of Veterans Administration and U.S. Department of Labor (53% and 13%, respectively). Accounts receivable at December 31, 2023 from these funders were \$133,549 and \$4,417, respectively.

The Organization receives a significant portion of its revenues from federal and state agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the underlying grant agreement.

Capital Projects

The Organization has entered into agreements with a project manager for infrastructure and construction costs related to the construction of a multi-purpose building and a workforce development building. Contracted costs for the projects are estimated to be approximately \$4,085,000 for the multi-purpose building and \$332,00 for the workforce development building. The projects are being funded through the use of existing funds and new grants or contributions as well as a construction note. Through December 31, 2023, total costs incurred were approximately \$1,058,000 and approximately \$3,600,000 is still due on the contracts. The Organization has raised contributions and capital grants to fund the project.

In January 2024, the Organization was awarded a grant through the Department of Housing and Urban Development Community Project Funding in the amount of \$2,000,000.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 11 - AVAILABILITY OF FINANCIAL RESOURCES

The Organization prepares detailed budgets, reviews cash flow analysis on a monthly basis, and is active in controlling costs to ensure the Organization remains liquid.

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. The Organization's financial assets include cash and receivables. The Organization also has board designated net assets of \$38,723.

	<u>2023</u>
Cash	\$ 1,113,169
Grants and contributions receivable	58,405
Veterans Administration per diem receivable	97,061
Service fee receivable	<u>1,941</u>
Total financial assets	1,270,576
Less:	
Board designated	(38,723)
Donor restricted contributions	<u>(1,074,207)</u>
Financial assets available to meet cash needs for general expenses within one year	\$ <u>157,646</u>

NOTE 12 - EMPHASIS OF MATTER

Historically, donor restricted contributions for capital improvements were deemed to be released from restriction when the related restriction was met. Further guidance provides these restrictions will not be met until the related capital assets are placed in service. With ongoing construction projects, the balance as of January 1, 2023 was restated to reclass net assets without donor restrictions to net assets with donor restrictions. Accordingly, opening net assets with donor restricted balances have been restated in the accompanying financial statements by \$197,365.

SUPPLEMENTARY INFORMATION

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Assistance Listing Number (ALN)	Grant Number	Grant Period Beginning/ Ending Date	Receipts for the Year	Accrued or (Unearned) Revenue at January 1, 2023	Federal Expenditures	Accrued or (Unearned) Revenue at December 31, 2023
U.S. DEPARTMENT OF VETERANS AFFAIRS								
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-1268-646-PD-21	10/1/22 - 9/30/23	\$ 1,045,118	\$ 124,182	\$ 920,936	\$ -
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-4789-646-PD-24	10/1/23 - 9/30/24	169,107	-	260,754	91,647
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-1267-646-SC-21	10/1/22 - 9/30/23	136,050	12,410	123,640	-
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-4744-646-PD-24	10/1/23 - 9/30/24	12,614	-	18,028	5,414
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-2283-646-CM-22	10/1/21 - 9/30/23	47,421	-	47,421	-
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-5681-646-CM-24	10/1/23 - 9/30/25	9,422	-	18,597	9,175
Veterans Administration Homeless Providers Grant and Per Diem Program	D	64.024	VPWB030-2530-646-CG-22	10/1/21 - 9/30/24	24,116	2,587	48,842	27,313
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS					1,443,848	139,179	1,438,218	133,549
U.S. DEPARTMENT OF LABOR								
Homeless Veterans' Reintegration Program	D	17.805	HV-35288-20-60-5-42	7/1/22 - 6/30/23	172,538	6,788	165,750	-
Homeless Veterans' Reintegration Program	D	17.805	23560HV000055-01-00	7/1/23 - 6/30/26	174,960	-	179,377	4,417
TOTAL U.S. DEPARTMENT OF LABOR					347,498	6,788	345,127	4,417
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through Pennsylvania Department of Military Veterans Affairs:								
Opioid Response Grant	I	93.788	*	9/30/22 - 9/29/23	141,852	23,317	118,535	-
Opioid Response Grant	I	93.788	*	9/30/23 - 9/29/24	41,573	-	41,573	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					183,425	23,317	160,108	-
TOTAL FEDERAL AWARDS					\$ 1,974,771	\$ 169,284	\$ 1,943,453	\$ 137,966

D - Direct Source of Funding

I - Indirect Source of Funding

* - Pass-Through Grantor Number not provided by pass-through agency.

No funds were passed through to subrecipients for the year ended December 31, 2023.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Veterans Place of Washington Boulevard, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2023. 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

Veterans Place of Washington Boulevard, Inc. did not elect to use the De Minimis rate for indirect costs.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
Veterans Place of Washington Boulevard, Inc.
Pittsburgh, Pennsylvania**

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, the financial statements of Veterans Place of Washington Boulevard, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Veterans Place of Washington Boulevard, 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 Place of Washington Boulevard, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Veterans Place of Washington Boulevard, 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 Place of Washington Boulevard, 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 Place of Washington Boulevard, 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 Veterans Place of Washington Boulevard, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Pittsburgh, Pennsylvania
August 26, 2024

**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
Veterans Place of Washington Boulevard, Inc.
Pittsburgh, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Veterans Place of Washington Boulevard, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Veterans Place of Washington Boulevard, Inc.'s major federal programs for the year ended December 31, 2023. Veterans Place of Washington Boulevard, 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, Veterans Place of Washington Boulevard, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

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 Veterans Place of Washington Boulevard, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Veterans Place of Washington Boulevard, 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 Veterans Place of Washington Boulevard, 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 Veterans Place of Washington Boulevard, 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 for 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 Veterans Place of Washington Boulevard, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 Veterans Place of Washington Boulevard, 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 Veterans Place of Washington Boulevard, 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 Veterans Place of Washington Boulevard, 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.

Herbein + Company, Inc.

Pittsburgh, Pennsylvania
August 26, 2024

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?

_____ yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

_____ yes X no

Identification of Major Programs:

Assistance Listing Number(s)

Name of Federal Program

64.024

Veterans Administration Homeless Providers Grant and Per Diem Program

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

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2023

Section II - Financial Statement Findings

There are no financial statement findings or questioned costs reported.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs reported.

VETERANS PLACE OF WASHINGTON BOULEVARD, INC.

STATUS OF PRIOR YEAR FINDINGS

Year Ended December 31, 2023

Federal Award Findings and Questioned Costs

There were no prior year financial statement or federal award findings or questioned costs.