

**FIVE S.T.A.R. VETERANS CENTER, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2020**

**with**

**REPORT OF INDEPENDENT AUDITORS**

FIVE S.T.A.R. VETERANS CENTER, INC.

December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Five S.T.A.R. Veterans Center, Inc.

### **Opinion**

We have audited the accompanying financial statements of Five STAR Veterans Center, Inc. (a not-for-profit organization) (the "Center"), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 financial statements referred to above present fairly, in all material respects, the financial position of Five STAR Veterans Center, Inc. as of December 31, 2020 and 2019, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 Center'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 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, including omissions, 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, 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 the Center'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 Center's ability to continue as a going concern for a reasonable period of time.



Board of Directors  
Five S.T.A.R. Veterans Center, Inc.  
Independent Auditors' Report (Continued)

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.

*Newsom & Associates, PA*

February 10, 2021

FIVE S.T.A.R. VETERANS CENTER, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 As of December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current asset-		
Cash and cash equivalents	\$ <u>558,473</u>	\$ <u>390,879</u>
Total current assets	558,473	390,879
Fixed assets, net of depreciation	<u>1,179,231</u>	<u>1,112,374</u>
	<u>\$ 1,737,704</u>	<u>\$ 1,503,253</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 20,079	\$ 9,464
Line of credit	47,848	72,848
Accrued expenses	18,570	16,817
Current portion of debt	<u>8,175</u>	<u>7,773</u>
Total current liabilities	94,672	106,902
Long term debt	123,314	131,488
Net assets:		
Unrestricted	1,430,893	1,206,113
Restricted	<u>88,825</u>	<u>58,750</u>
Total net assets	<u>1,519,718</u>	<u>1,264,863</u>
	<u>\$ 1,737,704</u>	<u>\$ 1,503,253</u>

See accompanying notes

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 876,512	\$ 109,280	\$ 985,792
Residential services	135,122	-	135,122
Other income	1,773	-	1,773
Release form restrictions	79,205	(79,205)	-
	<u>1,092,612</u>	<u>30,075</u>	<u>1,122,687</u>
Program expenses -			
Residential services	590,711	-	590,711
Supporting expenses:			
Administration	166,721	-	166,721
Fundraising	110,400	-	110,400
	<u>277,121</u>	<u>-</u>	<u>277,121</u>
Total expenses	<u>867,832</u>	<u>-</u>	<u>867,832</u>
Changes in the net assets	224,780	30,075	254,855
Net assets, beginning	<u>1,206,113</u>	<u>58,750</u>	<u>1,264,863</u>
Net assets, ending	<u>\$ 1,430,893</u>	<u>\$ 88,825</u>	<u>\$ 1,519,718</u>

See accompanying notes

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the year ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 686,923	\$ 84,000	\$ 770,923
Residential services	129,082	-	129,082
Other income	9,674	-	9,674
Release form restrictions	<u>25,250</u>	<u>(25,250)</u>	<u>-</u>
	850,929	58,750	909,679
Program expenses -			
Residential services	595,347	-	595,347
Supporting expenses:			
Administration	141,338	-	141,338
Fundraising	<u>89,999</u>	<u>-</u>	<u>89,999</u>
Total supporting expenses	<u>231,337</u>	<u>-</u>	<u>231,337</u>
Total expenses	<u>826,684</u>	<u>-</u>	<u>826,684</u>
Changes in the net assets	24,245	58,750	82,995
Net assets, beginning	<u>1,181,868</u>	<u>-</u>	<u>1,181,868</u>
Net assets, ending	<u>\$ 1,206,113</u>	<u>\$ 58,750</u>	<u>\$ 1,264,863</u>

See accompanying notes

FIVE S.T.A.R. VETERANS CENTER, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 For the year ended December 31, 2020

	<u>Program Services</u>	<u>Admin- istration</u>	<u>Fund raising</u>	<u>Total</u>
Personnel expenses	\$ 207,391	\$ 88,882	\$ -	\$ 296,273
Resident services	201,400	-	-	201,400
Professional fees	10,520	4,508	-	15,028
Advertising and promotion	-	-	110,400	110,400
Occupancy	114,174	48,931	-	163,105
Office expense	30,641	13,007	-	43,648
Insurance	22,921	9,823	-	32,744
Transportation	<u>3,664</u>	<u>1,570</u>	<u>-</u>	<u>5,234</u>
	<u>\$ 590,711</u>	<u>\$ 166,721</u>	<u>\$ 110,400</u>	<u>\$ 867,832</u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 For the year ended December 31, 2019

	<u>Program Services</u>	<u>Admin- istration</u>	<u>Fund raising</u>	<u>Total</u>
Personnel expenses	\$ 181,830	\$ 77,928	\$ -	\$ 259,758
Resident services	256,783	-	-	256,783
Professional fees	4,620	1,980	-	6,600
Advertising and promotion	-	-	89,999	89,999
Occupancy	97,139	41,631	-	138,770
Office expense	32,159	13,782	-	45,941
Insurance	14,039	6,017	-	20,056
Transportation	<u>8,777</u>	<u>-</u>	<u>-</u>	<u>8,777</u>
	<u>\$ 595,347</u>	<u>\$ 141,338</u>	<u>\$ 89,999</u>	<u>\$ 826,684</u>

See accompanying notes.



FIVE S.T.A.R. VETERANS CENTER, INC.  
 STATEMENTS OF CASH FLOW  
 For the years ended December 31, 2020 and 2019

Cash provided by (used in) operating activities:	<u>2020</u>	<u>2019</u>
Contributions and other support	\$ 1,122,687	\$ 909,680
Amounts paid to employees and vendors	(803,171)	(772,481)
Interest paid	<u>(6,678)</u>	<u>(9,197)</u>
Net cash provided by operating activities	312,838	128,002
Cash provided by (used in) investing activities-		
Purchase of fixed assets	<u>(112,472)</u>	<u>-</u>
Net cash used in investing activities	(112,472)	-
Cash used in financing activities:		
Repayments on the line of credit	(25,000)	(10,000)
Repayments on long term debt	<u>(7,772)</u>	<u>(7,036)</u>
Net cash used in financing activities	(32,772)	(17,036)
Net increase in cash and cash equivalents	167,594	110,966
Beginning cash and cash equivalents	<u>390,879</u>	<u>279,913</u>
Ending cash and cash equivalents	<u>\$ 558,473</u>	<u>\$ 390,879</u>

Total non-cash investing and financing activities were \$0 for 2020 and 2019.

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
 STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2020 and 2019  
 (Continued)

Adjustments to reconcile changes in net assets  
 to net cash provided by operating activities

	<u>2020</u>	<u>2019</u>
Changes in fund balances	\$ 254,855	\$ 82,995
Adjustments to reconcile changes in net assets to net cash provided by operating activities -		
Depreciation	45,615	47,948
Increase (decrease) in current liabilities:		
Accounts payable	10,615	(5,319)
Accrued expenses	<u>1,753</u>	<u>2,378</u>
Net increase in liabilities	<u>12,368</u>	<u>(2,941)</u>
Cash provided by operating activities	<u>\$ 312,838</u>	<u>\$ 128,002</u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

1. Summary of significant accounting policies and organization

The Five S.T.A.R. Veterans Center, Inc. (the “Center”) is a transitional home for veterans and provides the residents with employment, training skills assessment, career counseling, job placement, physical and wellness assessments, financial assessments, transportation, health education, case management and permanent housing referrals.

The following is a summary of the significant accounting policies of the Center which affect significant elements of the accompanying financial statements.

Purpose and organization – The Center is not-for-profit organization formed in 2011 as Northeast Florida’s largest dedicated veteran’s facility. The Center’s mission is to operate a short-term housing and rehabilitation center for homeless US Military veterans. In addition, the Center provides assistance with obtaining veteran benefits and offers acclimatization to civilian life through collaborative efforts with other agencies whose efforts focus on mental, physical, and educational rehabilitative services.

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

Basis of presentation – Financial statement presentation follows the recommendation of the Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under ASC 958, the Center is required to report information according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor restriction. Expenses are reported as decreases in unrestricted net assets. Expirations of restricted assets (i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020  
(Continued)

1. Summary of significant accounting policies and organization (continued)

Cash equivalents – For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

Income taxes – The Center is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Center’s tax positions and concluded that the Center had no uncertain tax positions that require adjustments to the financial statements. The Center is no longer subject to Federal income tax examinations for the years before 2017.

Property and equipment – It is the Center’s policy to capitalize property and equipment over \$500. Purchased property and equipment are capitalized at cost. Donations of property and equipment are capitalized at estimated fair value at the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the asset’s economic life.

Support and revenue – The Center’s major sources of revenue are derived from corporate and individual contributions.

Functional expenses – Expenses incurred in connection with operations have been summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided based on activity of the Center’s employees.

The Center’s expenses are classified in the following function -

Residential services - Provides residential transitional housing in private and semi-private rooms with community recreational amenities. While in residence, the veterans have available physical and psychological assessments, career and financial counseling to prepare them for reintegration into the community.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020  
(Continued)

1. Summary of significant accounting policies and organization (continued)

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results may differ from these estimates.

2. Property and equipment

Property and equipment are summarized below:

	<u>2020</u>	<u>2019</u>
Land	\$ 440,830	\$ 440,830
Buildings	854,453	767,782
Equipment	193,871	168,070
Automobiles	16,079	16,079
Software	<u>11,275</u>	<u>11,275</u>
 Total property and equipment	 1,516,508	 1,404,036
 Less accumulated depreciation	 <u>(337,277)</u>	 <u>(291,662)</u>
 Net property and equipment	 <u>\$1,179,231</u>	 <u>\$1,112,374</u>

Depreciation expense was \$45,615 and \$47,948 for the years ended December 31, 2020 and 2019, respectively.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020  
(Continued)

3. Long-term debt and capital lease obligations

Long-term debt and capital lease obligations consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mortgage secured by Company's building, interest rate at 2.5%. Loan will be repaid monthly at \$501 (matures in 2048)	\$115,862	\$118,585
Capital lease secured by Company's improvement, interest rate at 6.25%. Loan will be repaid monthly at \$517 (matures in 2023)	<u>15,627</u>	<u>20,676</u>
	131,489	139,261
Less: maturities to be retired within one year	<u>8,175</u>	<u>7,773</u>
	<u>\$123,314</u>	<u>\$131,488</u>

Annual maturities of notes payable and capital lease obligations for the 5 years subsequent to December 31, 2020 are as follows:

2021	\$ 8,175
2022	8,600
2023	7,492
2024	3,046
2025	3,132
Thereafter	101,044

Interest expense for the years ended December 31, 2020 and 2019 was \$6,678 and \$9,197, respectively.



FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020  
(Continued)

4. Concentrations

The Center receives its revenue primarily from local individual and corporate contributions who are dependent on the local economy. The Center also receives grant funds from private foundations who are dependent on various investment market conditions.

5. Fair value of financial instruments

A financial instrument is defined as cash equivalents, evidence of an ownership in an entity, or contract that creates an obligation or right to deliver or receive cash or other financial instrument from another party. The Center's financial instruments consist primarily of cash and cash equivalents, accounts payable and note payable. The carrying values of current assets and current liabilities approximate fair value because of the short-term maturity of these instruments.

6. Impairment of long-lived assets and long-lived assets to be disposed

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. An impairment is realized when the estimated undiscounted cash-flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to reduce the carrying value of the asset or group of assets to its fair value. Fair values can be determined by quoted market values, discounted cash flows, internal and external appraisals, or other applicable methods.

Assets held for disposition are carried at the lower of carrying value or estimated net realizable value. The Center has evaluated its assets and does not believe that material impairments exist.

7. Compensated absences

Compensated absences for Center personnel have not been accrued as they cannot be reasonably estimated.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020  
(Continued)

8. Line of credit

In January 2014, the Center negotiated a \$150,000 line of credit with a bank using the Center's fixed assets, specifically their land and building, as collateral. As of December 31, 2020, \$47,848 was outstanding.

9. Restricted net assets

In 2020 and 2019, the Center received a grant with stipulations that these funds were available for the training and support of five, post 9/11 veterans to assist recovery from substance abuse, mental health challenges as well as obtain permanent housing, financial stability, and enhance independent living. The remaining balances of those grants for the years ending December 31, 2020 and 2019 were \$56,250 and \$58,750, respectively.

In 2020, one of the Center's annual fundraiser events were cancelled due to COVID-19. The Donors allowed the Center to keep the funding for the 2021 fundraiser. The total balance of those donations for the years ending December 31, 2020 and 2019 were \$32,575 and \$0, respectively.

10. Subsequent events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through February 10, 2021, the date the financial statements were available to be issued.

Management has considered the consequences of COVID-19 and has determined that it does not create a material uncertainty that casts significant doubt upon the Center's ability to continue as a going concern, even though the impact of COVID-19 on future performance is unknown.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020  
(Continued)

11. Management of liquid assets

The liquid assets of the Center consist of cash as presented on the statement of financial position at December 31, 2020. No external or internal limitations are placed on these liquid assets for general expenditures in the following fiscal year:

Cash	\$558,473
Accounts payable and accrued expenses	(38,649)
Current portion of debt	(8,600)
Undrawn line of credit	102,152
Restrictions from donors	<u>(88,825)</u>
 Cash available for Center's future obligations	 <u>\$524,551</u>

12. Concentration of credit risk

The Center maintains cash balances in excess of \$250,000 in banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the Center's uninsured cash balance was approximately \$260,000.

13. Paycheck Protection Program Loan

In April 2020, the Center received the Paycheck Protection Program (PPP) Loan funds from the SBA in an amount of approximately \$54,000. Pursuant and subject to the PPP rules, this loan is convertible to a grant that does not need to be repaid. The Center applied for and received forgiveness of the loan. As such, this amount is reported as grant income on the statement of activities at December 31, 2020.