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

FINANCIAL STATEMENTS

December 31, 2021

with

REPORT OF INDEPENDENT AUDITORS

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

December 31, 2021

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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 S.T.A.R. Veterans Center, Inc. (a not-for-profit organization) (the "Center"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 S.T.A.R. Veterans Center, Inc. as of December 31, 2021 and 2020, 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.

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

March 2, 2022

FIVE S.T.A.R. VETERANS CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	$ 417,765	$ 558,473
Accounts receivable	25,000	-
Total current assets	442,765	558,473
Investments	9,217	-
Fixed assets, net of depreciation	1,137,491	1,179,231
	$ 1,589,473	$ 1,737,704

LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities:		
Accounts payable	$ 4,450	$ 20,079
Line of credit	22,484	47,848
Accrued expenses	27,894	18,570
Current portion of debt	8,600	8,175
Total current liabilities	63,428	94,672
Long term debt	114,714	123,314
Net assets:		
Unrestricted	1,322,506	1,430,893
Restricted	88,825	88,825
Total net assets	1,411,331	1,519,718
	$ 1,589,473	$ 1,737,704

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 609,357	$ 75,000	$ 684,357
Residential services	114,757	-	114,757
Other income	25,337	-	25,337
Release form restrictions	75,000	(75,000)	-
	824,451	-	824,451
Program expenses -			
Residential services	636,415	-	636,415
Supporting expenses:			
Administration	155,348	-	155,348
Fundraising	141,075	-	141,075
Total supporting expenses	296,423	-	296,423
Total expenses	932,838	-	932,838
Changes in the net assets	(108,387)	-	(108,387)
Net assets, beginning	1,430,893	88,825	1,519,718
Net assets, ending	$ 1,322,506	$ 88,825	$ 1,411,331

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

	Without Donor Restrictions	With Donor Restrictions	Total
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)	-
	1,092,612	30,075	1,122,687
Program expenses -			
Residential services	590,711	-	590,711
Supporting expenses:			
Administration	166,721	-	166,721
Fundraising	110,400	-	110,400
Total supporting expenses	277,121	-	277,121
Total expenses	867,832	-	867,832
Changes in the net assets	224,780	30,075	254,855
Net assets, beginning	1,206,113	58,750	1,264,863
Net assets, ending	$ 1,430,893	$ 88,825	$ 1,519,718

See accompanying notes

NEWSOM & ASSOCIATES, PA

FIVE S.T.A.R. VETERANS CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program Services	Admin-istration	Fund raising	Total
Personnel expenses	$ 195,494	$ 83,783	$ -	$ 279,277
Resident services	239,788	-	-	239,788
Professional fees	15,156	6,495	-	21,651
Advertising and promotion	-	-	141,075	141,075
Occupancy	107,759	44,968	-	152,727
Office expense	58,646	11,883	-	70,529
Insurance	11,964	5,127	-	17,091
Transportation	7,608	3,092	-	10,700
	$ 636,415	$ 155,348	$ 141,075	$ 932,838

See accompanying notes.

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

	Program Services	Admin-istration	Fund raising	Total
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	3,664	1,570	-	5,234
	$ 590,711	$ 166,721	$ 110,400	$ 867,832

See accompanying notes.

NEWSOM & ASSOCIATES, PA

FIVE S.T.A.R. VETERANS CENTER, INC.
STATEMENTS OF CASH FLOW
For the years ended December 31, 2021 and 2020

	2021	2020
Cash provided by (used in) operating activities:		
Contributions and other support	$ 790,235	$ 1,122,687
Amounts paid to employees and vendors	(881,408)	(803,171)
Interest paid	(6,355)	(6,678)
Net cash provided by operating activities	(97,528)	312,838
Cash provided by (used in) investing activities-		
Purchase of fixed assets	(9,641)	(112,472)
Net cash used in investing activities	(9,641)	(112,472)
Cash used in financing activities:		
Repayments on the line of credit	(25,000)	(25,000)
Repayments on long term debt	(8,539)	(7,772)
Net cash used in financing activities	(33,539)	(32,772)
Net increase in cash and cash equivalents	(140,708)	167,594
Beginning cash and cash equivalents	558,473	390,879
Ending cash and cash equivalents	$ 417,765	$ 558,473

Total non-cash investing and financing activities were $0 for 2021 and 2020.

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(Continued)

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

		2021		2020
Changes in fund balances	$	(108,387)	$	254,855
Adjustments to reconcile changes in net assets to net cash provided by operating activities -				
Depreciation		51,381		45,615
Unrealized (gains) losses		(1,980)		-
Donated investments		(7,237)		-
(Increase) decrease in current assets -				
Accounts receivable		(25,000)		-
Net (increase) decrease in assets		(25,000)		-
Increase (decrease) in current liabilities:				
Accounts payable		(15,629)		10,615
Accrued expenses		9,324		1,753
Net increase (decrease) in liabilities		(6,305)		12,368
Cash provided by operating activities	$	(97,528)	$	312,838

See accompanying notes.

1. <u>Summary of significant accounting policies and organization</u>

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.

<u>Purpose and organization</u> – The Center is a 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.

<u>Basis of accounting</u> – 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.

<u>Basis of presentation</u> – 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.

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

<u>Net Assets With Donor Restrictions</u> – 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.

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.

Receivables – The Center considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Bad debt expense for the year December 31, 2021 and 2020 was $0 for both years. Receivables consist of expected receipts of cash from reimbursement grant contracts issued by the Center's municipality.

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 2018.

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.

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

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.

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:

	2021	2020
Land	$ 440,830	$ 440,830
Buildings	854,453	854,453
Equipment	203,512	193,871
Automobiles	16,079	16,079
Software	11,275	11,275
Total property and equipment	1,526,149	1,516,508
Less accumulated depreciation	(388,658)	(337,277)
Net property and equipment	$1,137,491	$1,179,231

Depreciation expense was $51,381 and $45,615 for the years ended December 31, 2021 and 2020, respectively.

3. Long-term debt and capital lease obligations

Long-term debt and capital lease obligations consist of the following at December 31, 2021 and 2020:

	2021	2020
Mortgage secured by the Center's building, interest rate at 2.5%. Loan will be repaid monthly at $501 (matures in 2048)	$113,063	$115,862
Capital lease secured by the Center's improvement, interest rate at 6.25%. Loan will be repaid monthly at $517 (matures in 2023)	10,251	15,627
	123,314	131,489
Less: maturities to be retired within one year	8,600	8,175
	$114,714	$123,314

Annual maturities of notes payable and capital lease obligations for the 5 years subsequent to December 31, 2021 are as follows:

2022	$ 8,600
2023	7,492
2024	3,046
2025	3,132
2026	3,221
Thereafter	97,823

Interest expense was $6,355 and $6,678 for the years ended December 31, 2021 and 2020, respectively.

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.

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, 2021, $22,484 was outstanding.

9. Restricted net assets

In 2021 and 2020, 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, 2021 and 2020 was $56,250 for both years.

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, 2021 and 2020 was $32,575 for both years.

10. Subsequent events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through March 2, 2022, the date the financial statements were available to be issued.

11. 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, 2021, the Center's uninsured cash balance was approximately $167,000.

12. Management of liquid assets

The liquid assets of the Center consist of cash as presented on the statement of financial position at December 31, 2021. No external or internal limitations are placed on these liquid assets for general expenditures in the following fiscal year:

Cash	$417,765
Marketable investments	9,217
Accounts payable and accrued expenses	(32,344)
Current portion of debt	(8,600)
Undrawn line of credit	127,516
Restrictions from donors	(88,825)
Cash available for Center's future obligations	$424,729

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, 2021.

14. Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This guidance will require the rights and obligations of new and existing lease arrangements to be recognized as assets and liabilities on the balance sheet. The guidance will also require disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which will be effective for periods beginning after December 15, 2021, will be to record right-of-use assets and obligations for current operating leases. Management is evaluating the effect of this pronouncement on the Center's financial statements and will adopt this policy, if needed.

15. Marketable investments

The Center measures fair value on a recurring basis for certain financial instruments. The Center's investments are in marketable, equity-type securities that are readily tradable on an open exchange. Accounting Standards Codification (ASC) 820-10 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial statements.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

	Fair value measurements at reporting date using		
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable investments	$9,217	$ -	$ -

16. Management Evaluation of Going Concern

In preparing these financial statements, there is an underlying assumption that the Center will continue long enough to carry out its objectives and commitments (defined as the going concern assumption).

The Center's management has evaluated 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 entity with one year after the issued date of these reports. As part of this analysis, 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.

As of March 2, 2022, this issued date of these reports, management has not identified any conditions or events that raise substantial doubt about the Center's ability to continue as a going concern entity.

SUPPLEMENTAL INFORMATION

& ASSOCIATES, PA

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Board of Directors
Five S.T.A.R. Veteran's Center, Inc.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

We have audited the financial statements of Five S.T.A.R. Veteran's Center, Inc. as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated March 2, 2022, which contained an unmodified opinion on those financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of source and status of funds are presented for the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Newsom & Associates, P.A.

March 2, 2022

FIVE S.T.A.R. VETERANS CENTER, INC.
STATEMENT OF SOURCE AND STATUS OF FUNDS
For the year ending December 31, 2021

Public Service Grant 10/1/21 – 9/30/22
Grant No. 635396-22
Receipt of funds

Total award	$99,749
Funds received in 12/31/21	-
Funds received in 12/31/22	-
Remaining to be funded	$99,749

Expenditure of funds	Current Budget	12/31/21 Expenses	12/31/22 Expenses	Total	Remaining
Personnel	$45,000	$ 7,500	$ -	$ 7,500	$37,500
Payroll taxes	3,443	574	-	574	2,869
Worker's Comp Insurance	455	168	-	168	287
Unemployment Taxes	138	154	-	154	(16)
Client direct expenses	50,713	13,282	-	13,282	37,431
Total	$99,749	$21,678	$ -	$21,678	$78,071

NEWSOM & ASSOCIATES, PA

FIVE S.T.A.R. VETERANS CENTER, INC.
STATEMENT OF SOURCE AND STATUS OF FUNDS
For the year ending December 31, 2021

Public Service Grant 10/1/21 – 9/30/22
Grant No. 632411-22
Receipt of funds

Total award	$50,000
Funds received in 12/31/21	-
Funds received in 12/31/22	-
Remaining to be funded	$50,000

Expenditure of funds	Current Budget	12/31/21 Expenses	12/31/22 Expenses	Total	Remaining
Salaries and wages	$50,000	$8,332	$ -	$8,332	$41,668
Total	$50,000	$8,332	$ -	$8,332	$41,668