

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Veterans Empowerment Organization of Georgia, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Veterans Empowerment Organization of Georgia, Inc. (the "VEO"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veterans Empowerment Organization of Georgia, Inc. as of December 31, 2020, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2020, VEO adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* and No. 2018-08, *Clarify the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2023, on our consideration of VEO's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 VEO's internal control over financial reporting and compliance.



Atlanta, Georgia
July 7, 2023

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS	
Cash and cash equivalents	\$ 656,629
Grants receivable	74,581
Security deposit (Note 12a)	200,000
Property and equipment (Note 6)	2,207,069
TOTAL ASSETS	\$ 3,138,279
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 102,288
Tenant security deposits	2,574
Debt obligations (Note 7)	422,307
TOTAL LIABILITIES	527,169
NET ASSETS	
Without donor restrictions	2,100,777
With donor restrictions (Note 8)	510,333
TOTAL NET ASSETS	2,611,110
TOTAL LIABILITIES AND NET ASSETS	\$ 3,138,279

See independent auditor's report and notes to the financial statements.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
PUBLIC SUPPORT AND REVENUE			
Government grants	\$ 368,564	\$ -	\$ 368,564
Contributions	426,273	250,000	676,273
United Way	305,482	-	305,482
Program income	273,415	-	273,415
Inkind donations	113,134	-	113,134
Interest income	2,762	-	2,762
Fundraising event - gross revenue	243,362	-	243,362
Less: cost of direct benefit to donors	(64,234)	-	(64,234)
Net fundraising revenue	<u>179,128</u>	<u>-</u>	<u>179,128</u>
Subtotal	<u>1,668,758</u>	<u>250,000</u>	<u>1,918,758</u>
Net assets released from restrictions -			
Satisfaction of program restrictions (Note 8)	<u>1,018,645</u>	<u>(1,018,645)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>2,687,403</u>	<u>(768,645)</u>	<u>1,918,758</u>
EXPENSES			
Program services	1,776,844	-	1,776,844
General and administrative	588,842	-	588,842
Fundraising	<u>202,268</u>	<u>-</u>	<u>202,268</u>
TOTAL EXPENSES	<u>2,567,954</u>	<u>-</u>	<u>2,567,954</u>
CHANGE IN NET ASSETS	<u>119,449</u>	<u>(768,645)</u>	<u>(649,196)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,981,328</u>	<u>1,278,978</u>	<u>3,260,306</u>
NET ASSETS, END OF YEAR	<u>\$ 2,100,777</u>	<u>\$ 510,333</u>	<u>\$ 2,611,110</u>

See independent auditor's report and notes to the financial statements.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Total Program Services	Supporting Services		Totals
	Housing	Workforce	Wellness		Management & General	Fundraising	
Salaries	\$ 399,240	\$ 201,732	\$ 61,422	\$ 662,394	\$ 53,402	\$ 103,740	\$ 819,536
Payroll taxes	31,405	15,868	4,832	52,105	4,201	8,160	64,466
Fringe benefits	50,203	18,660	7,724	76,587	-	-	76,587
Contracted services	126,703	117,736	20,818	265,257	20,663	58,117	344,037
Information technology	-	-	-	-	7,022	-	7,022
Travel & transportation	10,731	4,897	1,625	17,253	2,109	-	19,362
Conferences, training, meetings	15,060	11,200	2,300	28,560	865	-	29,425
Materials & supplies	77,681	49,025	11,688	138,394	95,236	-	233,630
Professional fees	-	-	-	-	157,568	-	157,568
Processing fees	-	-	-	-	15,242	-	15,242
Telephone, cable & internet	15,374	5,913	2,365	23,652	6,490	-	30,142
Facility leases	119,561	43,115	17,246	179,922	-	-	179,922
Equipment leases	-	-	-	-	4,526	-	4,526
Dues & subscriptions	-	-	-	-	3,771	3,184	6,955
Marketing & advertising	-	-	-	-	350	29,067	29,417
Insurance	10,664	4,101	1,641	16,406	26,314	-	42,720
Repairs & maintenance	87,041	32,409	12,963	132,413	-	-	132,413
Utilities	79,037	30,329	12,132	121,498	-	-	121,498
Licenses, fees and permits	11,250	4,327	1,731	17,308	150	-	17,458
Printing	-	11	-	11	2,815	-	2,826
Interest	-	-	-	-	13,601	-	13,601
Depreciation	29,305	11,271	4,508	45,084	-	-	45,084
Bad debt write-off	-	-	-	-	172,917	-	172,917
Loss on asset disposal	-	-	-	-	1,600	-	1,600
Subtotal operating expenses	<u>1,063,255</u>	<u>550,594</u>	<u>162,995</u>	<u>1,776,844</u>	<u>588,842</u>	<u>202,268</u>	<u>2,567,954</u>
<i>Expenses directly related to fundraising event:</i>							
Direct costs of fundraising event	-	-	-	-	-	64,234	64,234
Total expenses	<u>\$ 1,063,255</u>	<u>\$ 550,594</u>	<u>\$ 162,995</u>	<u>\$ 1,776,844</u>	<u>\$ 588,842</u>	<u>\$ 266,502</u>	<u>\$ 2,632,188</u>

See independent auditor's report and notes to the financial statements.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ (649,196)

**ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Depreciation 45,084

Loss on disposal of fixed asset 1,600

Change in operating assets and liabilities

(Increase) decrease in assets:

Grants receivable (64,201)

Promises to give 705,200

Increase (decrease) in liabilities:

Accounts payable 14,643

Tenant security deposits 2,574

Custodian for third-party (134,676)

NET CASH USED BY OPERATING ACTIVITIES (78,972)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets (369,405)

Construction-in-progress additions (1,057,773)

NET CASH USED BY INVESTING ACTIVITIES (1,427,178)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from PPP loan 159,900

Proceeds from line of credit 321,407

Payments for line of credit (59,000)

Principal payments on note payable (8,191)

NET CASH PROVIDED BY FINANCING ACTIVITIES 414,116

NET DECREASE IN CASH AND CASH EQUIVALENTS (1,092,034)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,748,663

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 656,629

Supplemental information:

Inkind donations \$ 113,134

Interest paid 13,601

See independent auditor's report and notes to the financial statements.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Veterans Empowerment Organization Of Georgia, Inc. (VEO) (the "Organization") is a nonprofit corporation established under the laws of the State of Georgia. The Organization is dedicated to improving the living conditions of homeless veterans who are neglected, sick, hungry, and have no place to turn to in the State of Georgia.

The significant accounting policies followed by the VEO are described below:

A. Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

B. Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. The Organization maintains its net assets in two classes as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by the donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

C. Adopted Accounting Pronouncements

Effective January 1, 2020, VEO adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. It highlights the identification of performance obligations of the contracts determining the price and allocating that price to the performance obligations so that revenue is recognized as each performance obligation is satisfied.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS:**
(Continued)

C. Adopted Accounting Pronouncements (continued)

In addition, VEO adopted ASU No. 2018-08, *Clarify the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in the standard should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-For-Profit Entities or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional.

There were no material changes to the financial statements upon adoption.

D. New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Under the new guidance, lessor accounting is largely unchanged. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of this standard on the entity's financial statements.

In September 2020, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The amendments should be applied on a retrospective basis and are effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. Management is evaluating the impact of this standard on the entity's financial statements.

E. Cash and Cash Equivalents

For purposes of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured limit.

F. Property and Equipment

Property and equipment are recorded at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. VEO uses a \$1,000 capitalization policy.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

**1. SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS:
(Continued)**

G. Donated Services

Members of the Board of Directors, certain officers, and a substantial number of volunteers have donated significant amounts of their time to the Organization's operations without compensation. However, no additional amounts have been reported in the accompanying financial statements for donated services because an objective basis is not available to measure the value of such services.

H. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, with donor restricted net assets are reclassified without donor restricted net assets.

I. Federal and State Income Taxes

The Organization is exempt from federal and state income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code, as amended. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Expense Allocation

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, depreciation, insurance, rent, telephone, information technology and office supplies which are allocated on the basis of estimates of time and effort.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. LIQUIDITY AND CASH AVAILABILITY

VEO regularly monitors liquidity required to meet its operating needs and other contractual and day to day functions, while also striving to maximize any potential cash surpluses via high interest income earning opportunities.

VEO has multiple cash accounts with liquidity at its disposal, one of which holds unrestricted funds to be used at VEO's discretion. During 2020, VEO obtained a \$499,750 revolving line of credit and received a PPP loan for \$159,900, which was subsequently forgiven during 2021. For the purpose of analyzing resources available to meet general expenditures over a 12-month operating cycle, the organization considers all expenditures related to its ongoing activities of housing, workforce development, and optimal wellness initiatives, as well as the conduct of strategic initiatives that carry cost.

The VEO Executive Leadership team presents a balanced budget to its Board for approval prior to each operating cycle. VEO anticipates collecting sufficient contributions, grant funds, event revenues, and housing fees to cover operating expenditures. As of December 31, 2020, the following table shows the total financial assets held by VEO and the amounts of those financial assets, all of which could readily be made available to meet operating expectations and/or expenditures during the next twelve months.

Financial assets – current and available for the next twelve months:	
Cash and cash equivalents	\$ 656,629
Grants receivable	74,581
Financial assets available to meet general expenditures within one year	<u>\$ 731,210</u>

3. EFFECTS OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS

The Organization depends heavily on grants from governments, United Way and contributions. The ability of the organization to continue to receive amounts comparable with this year may be dependent upon current and future overall economic conditions. While the organization's Board of Directors believes the grants and contributions will continue, the ability to do so and the extent to which it continues may be dependent upon the above factors.

4. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

5. GRANTS RECEIVABLE

Grants receivable is stated at the amount management expects to collect from outstanding balances. Management has not recorded a provision for uncollectible amount and considers all amounts collectible.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. PROPERTY AND EQUIPMENT

At December 31, 2020, major classes of property and equipment consist of the following:

Land, buildings and improvements	\$ 1,022,683
Vehicles	44,650
Furniture and fixtures	72,630
Construction in progress	1,218,133
Subtotal	<u>2,358,096</u>
Less: accumulated depreciation	<u>(151,027)</u>
Net property and equipment	<u>\$ 2,207,069</u>

7. DEBT OBLIGATIONS

PPP loan –

During the year, VEO executed a \$159,900 Payroll Protection Program (PPP) loan with a local bank guaranteed by the U. S. Small Business Administration. The loan is a forgivable loan upon meeting certain criteria and was deemed forgiven during July 2021. Refer to Note 11.

Note payable –

The loan was paid off during the year. The principal repayments amounted to \$8,191.

Line of credit –

During the year, VEO executed a \$499,750 revolving line of credit with a variable interest rate, and collateralized by VEO real estate. The variable interest rate is the prime interest rate as published in the money rate section of the Wall Street Journal, with an interest rate floor of 4.75%, plus a marginal rate. The initial interest rate was 5.25%. Borrowings and principal repayments during the year were \$321,407 and \$59,000, respectively. The outstanding unpaid principal balance at December 31, 2020 was \$262,407.

Interest expense related to loans for the year was \$13,601.

8. WITH DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions were as follows for the year ended December 31, 2020:

	Balance at December 31, 2019	2020		Balance at December 31, 2020
		Additions	Net Assets Released	
Specific Purpose:				
Capital campaign	\$ 903,978	\$ 625,000	\$(1,018,645)	\$ 510,333
Other – reclass	375,000	(375,000)	-	-
Totals	<u>\$ 1,278,978</u>	<u>\$ 250,000</u>	<u>\$(1,018,645)</u>	<u>\$ 510,333</u>

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

9. LEASES

Facility and related party transaction - effective June 1, 2013, VEO executed a rental agreement for a facility affiliated with the Founder /CEO of VEO, as the landlord. The lease term period is June 1, 2013 to June 30, 2028 at \$11,700 per month. The facility rent expense amounting to \$140,400 is included on the Statement of Functional Expenses. Effective May 25, 2021, VEO purchased the real property from the company affiliated with the Founder/CEO.

Office equipment - VEO leases office equipment under two lease contracts. The terms are 60-month leases and will expire in fiscal year 2024.

Future minimum lease payments are as follows for the years ending December 31:

2021	\$ 63,395
2022	4,895
2023	4,895
2024	2,448

10. CONTINGENCIES

Certain funding received by VEO may require the fulfillment of certain conditions as set forth in the funding instrument. Failure to meet certain conditions could result in the return of the funds to the funders.

11. IMPACT OF COVID-19 PANDEMIC

During 2020, the World Health Organization declared COVID19 as a pandemic. The pandemic has caused global business disruptions and economic uncertainties. Management believes VEO is taking appropriate actions to mitigate the negative impact. The full impact of the COVID19 pandemic is unknown and cannot be reasonably estimated as these events continue to develop. However, during May 2023, the World Health Organization deemed the pandemic, no longer a global health emergency.

12. SUBSEQUENT EVENTS

VEO management evaluated subsequent events through July 7, 2023, the date which the financial statements were available to be issued and concluded that subsequent events occurred that require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements:

- a) Real estate purchase from a related party - effective May 25, 2021, VEO purchased the real property from the Founder/CEO originally under a lease arrangement.
- b) The PPP loan was forgiven during July 2021.
- c) During May 2023, VEO executed a revolving term note with a bank for \$750,000.

VETERANS EMPOWERMENT ORGANIZATION OF GEORGIA, INC.

COMPLIANCE AND INTERNAL CONTROL REPORT

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 of
Veterans Empowerment Organization of Georgia, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of To the Board of Directors of Veterans Empowerment Organization of Georgia, Inc. ("VEO"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, 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 July 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VEO's internal control over financial reporting (internal control) to determine the 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 VEO's internal control. Accordingly, we do not express an opinion on the effectiveness of VEO'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 may exist that have not been identified.

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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VEO's financial statements are free of 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 determination of financial statement amounts. 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 VEO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VEO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlanta, Georgia
July 7, 2023