

**BEATITUDE HOUSE**  
**FINANCIAL REPORT**  
**JUNE 30, 2016 and 2015**

## BEATITUDE HOUSE

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## Independent Auditors' Report

To the Board of Directors  
Beatitude House  
Youngstown, Ohio

We have audited the accompanying financial statements of Beatitude House (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beatitude House as of June 30, 2016 and 2015, 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.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed statement of activities on page 20 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Meloney + Novatny LLC*

Canton, Ohio  
October 19, 2016

BEATITUDE HOUSE  
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 292,344	\$ 122,467
Receivables:		
Accounts	15,580	14,944
Grants	162,925	72,915
Pledges	77,250	31,226
Prepaid expenses	10,000	12,112
Total current assets	<u>558,099</u>	<u>253,664</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	58,980	58,980
Buildings	2,054,509	2,054,509
Building improvements	433,558	422,835
Leasehold improvements	1,835,349	1,824,926
Equipment and vehicles	111,031	113,515
Furniture and fixtures	58,964	58,964
	<u>4,552,391</u>	<u>4,533,729</u>
Less accumulated depreciation	<u>1,562,269</u>	<u>1,404,529</u>
	<u>2,990,122</u>	<u>3,129,200</u>
<b>OTHER ASSETS</b>		
Investments	353,813	342,297
Deposits	675	675
Receivables:		
Grants	2,800	2,800
Pledges - net	72,032	17,389
Total other assets	<u>429,320</u>	<u>363,161</u>
	<u>\$ 3,977,541</u>	<u>\$ 3,746,025</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ -	\$ 50,000
Accounts payable	33,222	18,126
Security deposits	3,970	3,680
Accrued payroll and taxes	21,591	19,850
Total current liabilities	<u>58,783</u>	<u>91,656</u>
Notes payable	80,452	89,391
Total liabilities	<u>139,235</u>	<u>181,047</u>
<b>NET ASSETS</b>		
Unrestricted	1,627,741	1,704,756
Temporarily restricted	2,034,415	1,684,072
Permanently restricted	176,150	176,150
	<u>3,838,306</u>	<u>3,564,978</u>
	<u>\$ 3,977,541</u>	<u>\$ 3,746,025</u>

The accompanying notes are an integral part of these financial statements.

BEATITUDE HOUSE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	Year Ended June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES</b>				
Donations	\$ 289,348	\$ 172,877	\$ -	\$ 462,225
Grants - Government	842,831	121,951	-	964,782
Grants - Foundation	95,953	114,301	-	210,254
Faith based groups	86,530	2,689	-	89,219
Special events	198,966	49,731	-	248,697
Rent	28,869	-	-	28,869
Program services	87,665	-	-	87,665
Investment income	3,496	2,016	-	5,512
Miscellaneous	4,646	-	-	4,646
In-kind contributions	173,603	-	-	173,603
Total revenues	<u>1,811,907</u>	<u>463,565</u>	-	<u>2,275,472</u>
Net assets released from restriction:				
Satisfaction of Program Requirements	<u>113,222</u>	<u>(113,222)</u>	-	-
<b>TOTAL REVENUES</b>	<u>1,925,129</u>	<u>350,343</u>	-	<u>2,275,472</u>
<b>EXPENSES</b>				
Program services:				
Direct services	636,089	-	-	636,089
Housing and educational facilities	<u>982,180</u>	-	-	<u>982,180</u>
Total program services	1,618,269	-	-	1,618,269
Management and general	214,749	-	-	214,749
Fundraising	<u>169,126</u>	-	-	<u>169,126</u>
Total expenses	<u>2,002,144</u>	-	-	<u>2,002,144</u>
<b>CHANGE IN NET ASSETS</b>	(77,015)	350,343	-	273,328
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,704,756</u>	<u>1,684,072</u>	<u>176,150</u>	<u>3,564,978</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,627,741</u>	<u>\$ 2,034,415</u>	<u>\$ 176,150</u>	<u>\$ 3,838,306</u>

The accompanying notes are an integral part of these financial statements.

BEATITUDE HOUSE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Donations	\$ 311,796	\$ 21,442	\$ 5,000	\$ 338,238
Grants - Government	858,188	4,189	-	862,377
Grants - Foundation	60,787	31,876	-	92,663
Faith based groups	78,200	3,020	-	81,220
Special events	137,391	59,973	-	197,364
Rent	32,442	-	-	32,442
Program services	54,656	-	-	54,656
Investment income	5,263	3,485	-	8,748
Miscellaneous	17,106	-	-	17,106
In-kind contributions	42,955	-	-	42,955
Total revenues	<u>1,598,784</u>	<u>123,985</u>	<u>5,000</u>	<u>1,727,769</u>
Net assets released from restriction:				
Satisfaction of Program Requirements	<u>144,250</u>	<u>(144,250)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,743,034</u>	<u>(20,265)</u>	<u>5,000</u>	<u>1,727,769</u>
<b>EXPENSES</b>				
Program services:				
Direct services	692,045	-	-	692,045
Housing and educational facilities	<u>836,506</u>	<u>-</u>	<u>-</u>	<u>836,506</u>
Total program services	<u>1,528,551</u>	<u>-</u>	<u>-</u>	<u>1,528,551</u>
Management and general	228,952	-	-	228,952
Fundraising	<u>144,378</u>	<u>-</u>	<u>-</u>	<u>144,378</u>
Total expenses	<u>1,901,881</u>	<u>-</u>	<u>-</u>	<u>1,901,881</u>
<b>CHANGE IN NET ASSETS</b>	(158,847)	(20,265)	5,000	(174,112)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,863,603</u>	<u>1,704,337</u>	<u>171,150</u>	<u>3,739,090</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,704,756</u>	<u>\$ 1,684,072</u>	<u>\$ 176,150</u>	<u>\$ 3,564,978</u>

The accompanying notes are an integral part of these financial statements.

BEATITUDE HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2016 and 2015

Year Ended June 30, 2016					
FUNCTIONAL EXPENSES	Program Services				Total
	Direct Services	Housing & Educational Facilities	Management & General	Fund- raising	
Salaries	\$ 333,735	\$ 240,057	\$ 98,263	\$ 53,776	\$ 725,831
Utilities	-	106,206	3,697	-	109,903
Telephone and internet	-	17,667	4,402	-	22,069
Repairs and maintenance	-	70,919	-	-	70,919
Program	27,586	-	-	-	27,586
Insurance	-	14,712	-	-	14,712
Rent	-	279,027	4,200	-	283,227
Transportation	1,584	-	861	239	2,684
Administrative	19,653	11,556	7,274	2,107	40,590
Payroll taxes	25,372	19,777	4,202	10,689	60,040
Employee benefits	99,207	70,264	20,780	37,974	228,225
Fundraising and special events	-	-	-	63,972	63,972
Professional fees	-	-	35,074	219	35,293
Contract services	103,500	-	9,895	-	113,395
Household	20,845	-	-	-	20,845
Security	-	8,085	1,155	-	9,240
Depreciation	-	143,910	19,624	-	163,534
Miscellaneous	4,607	-	5,322	150	10,079
<b>Total functional expenses</b>	<b>\$ 636,089</b>	<b>\$ 982,180</b>	<b>\$ 214,749</b>	<b>\$ 169,126</b>	<b>\$ 2,002,144</b>

The accompanying notes are an integral part of these financial statements.



BEATITUDE HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2016 and 2015

FUNCTIONAL EXPENSES	Year Ended June 30, 2015				
	Program Services				Total
	Direct Services	Housing & Educational Facilities	Management & General	Fund-raising	
Salaries	\$ 354,567	\$ 256,539	\$ 117,793	\$ 60,026	\$ 788,925
Utilities	-	97,432	4,218	-	101,650
Telephone and internet	-	16,635	3,620	-	20,255
Repairs and maintenance	-	52,076	-	-	52,076
Program	33,870	-	-	-	33,870
Insurance	-	13,980	-	-	13,980
Rent	-	155,079	4,200	-	159,279
Transportation	2,255	-	1,697	880	4,832
Administrative	20,394	10,932	6,211	2,029	39,566
Payroll taxes	34,747	18,820	4,340	9,052	66,959
Employee benefits	132,542	66,882	21,456	32,169	253,049
Fundraising and special events	-	-	-	39,732	39,732
Professional fees	-	-	39,518	340	39,858
Contract services	103,850	-	1,650	-	105,500
Household	4,959	-	-	-	4,959
Security	-	8,518	1,217	-	9,735
Depreciation	-	139,613	19,038	-	158,651
Miscellaneous	4,861	-	3,994	150	9,005
<b>Total functional expenses</b>	<b>\$ 692,045</b>	<b>\$ 836,506</b>	<b>\$ 228,952</b>	<b>\$ 144,378</b>	<b>\$ 1,901,881</b>

The accompanying notes are an integral part of these financial statements.

BEATITUDE HOUSE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 273,328	\$ (174,112)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash contribution of investments	(1,011)	-
Non-cash contribution of property and equipment	(3,310)	(10,705)
Forgiveness of notes payable	(8,939)	-
(Gain) on investments	(1,507)	(3,125)
(Gain) loss on sale of property and equipment	(200)	2,441
Depreciation	163,534	158,651
Permanently restricted contributions	-	(5,000)
Decrease (increase) in:		
Receivables	(191,313)	48,714
Prepaid expenses	2,112	(12,112)
Deposits	-	(275)
Increase (decrease) in:		
Accounts payable	15,096	(15,049)
Security deposits, accrued payroll and taxes	2,031	2,707
Net cash provided (used) by operating activities	<u>249,821</u>	<u>(7,865)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(21,146)	(147,915)
Proceeds from sale of property and equipment	200	1,058
(Increase) decrease in investments	<u>(8,998)</u>	<u>106,593</u>
Net cash (used) by investing activities	<u>(29,944)</u>	<u>(40,264)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in line of credit	(50,000)	50,000
Proceeds from notes payable	-	89,391
Permanently restricted contributions	-	5,000
Net cash (used) provided by financing activities	<u>(50,000)</u>	<u>144,391</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	169,877	96,262
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>122,467</u>	<u>26,205</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 292,344</u>	<u>\$ 122,467</u>

The accompanying notes are an integral part of these financial statements.

## BEATITUDE HOUSE

### NOTES TO FINANCIAL STATEMENTS

#### Summary of Significant Accounting Policies

- A. Beatitude House ("the Organization"), sponsored by the Ursuline Sisters of Youngstown, was organized July 2, 1990 to respond to the needs of homeless and low-income women and children. Its programs provide an opportunity for disadvantaged women and children to transform their lives. The agency provides both transitional and permanent housing as well as education and other support services in Mahoning, Trumbull and Ashtabula Counties in Ohio.

The Ursuline Sisters of Youngstown are the sole corporate member of Beatitude House and therefore have a controlling financial interest in Beatitude House.

- B. Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. Receivables – Contributions are recognized as revenue in the period in which the pledge (promise to give) is received. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using 6.50%, and amortization of the discounts is included in donation revenue. Conditional pledges are not included as contributions receivable until the conditions are substantially met. Grant revenue is recorded as earned. Grants receivable, except for \$2,800, are expected to be collected within one year and management has determined no allowance for uncollectibility is necessary.
- D. Net Asset Accounting – The Organization reports gifts and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires or the cash is expended in accordance with the limitations stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction. Beatitude House records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Beatitude House reports gifts and grants of cash and other assets as permanently restricted support if they are subject to donor stipulations that they be maintained permanently. Generally, donors of these assets permit the Organization to use all or part of the income derived from these assets. Permanently restricted net assets primarily include the Organization's permanent endowment funds.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Summary of Significant Accounting Policies (continued)**

- E. Gifts and Memorials – All gifts and memorials are considered unrestricted unless specifically restricted by the donor and are recorded at fair value upon receipt or, in the case of donated goods or services, at their estimated fair market value on the date of donation.
- F. In-kind Contributions – A number of volunteers have made contributions of their time and talents to the Organization. The Organization received nearly 10,000 and 9,200 volunteer hours for the years ended June 30, 2016 and 2015, respectively. No amounts have been reflected in the financial statements for these donated services because these services do not meet the criteria for recognition in the financial statements. During the years ended June 30, 2016 and 2015, the Organization received contributions of new, used, and flawed furniture. No amounts have been recognized in the financial statements for these contributions. In-kind contributions reflected in the financial statements are as follows:

	June 30,	
	<u>2016</u>	<u>2015</u>
Audit fees	\$ 17,100	\$ 15,800
Rent	120,764	25,500
Maintenance and furnishings	26,942	-
Other	<u>8,797</u>	<u>1,655</u>
	<u>\$ 173,603</u>	<u>\$ 42,955</u>

- G. Property and Equipment – These assets are stated at cost at the date of acquisition or fair value at the date of donation. Property and equipment are depreciated principally on the straight-line method over the estimated average useful life of the various assets. Expenditures for additions and major improvements to existing assets are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Depreciation expense was \$163,534 and \$158,651 for the years ended June 30, 2016 and 2015, respectively.
- H. Tax Status – Beatitude House is a nonprofit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal exempt organization business returns are subject to examination by the IRS, generally for three years after they were filed.

- I. Cash – Cash includes deposits which are maintained at financial institutions and may at times exceed Federally-insured amounts.

## BEATITUDE HOUSE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### Summary of Significant Accounting Policies (continued)

- J. Cash Equivalents – The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.
- K. Subsequent Events – The Organization has evaluated subsequent events through October 19, 2016, which is the date the financial statements were available to be issued.
- L. Reclassification – Certain information previously presented has been reclassified to conform to the current presentation.

#### Note 1. Investments

Investments consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 3,025	\$ 3,006
Mutual funds	94,550	91,634
Equities	945	-
Investments held at the Community Foundation of the Mahoning Valley	<u>255,293</u>	<u>247,657</u>
	<u>\$ 353,813</u>	<u>\$ 342,297</u>

Investments held at the Community Foundation of the Mahoning Valley (Foundation) are invested in a pool of funds according to the Foundation's investment policy. In the event that it becomes unnecessary, undesirable, impractical or impossible to provide funds for the Organization's mission, the Foundation has the right to utilize the assets for charitable purposes that coincide with the past practices of the Organization.

#### Note 2. Fair Value Measurements

Beatitude House estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 – Unobservable inputs in which little or no market data exists

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Fair Value Measurements (continued)**

The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level the Organization's assets that are accounted for at a fair value on a recurring basis:

	<b>As of June 30, 2016</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Investments:				
Money market funds	\$ -	\$ 3,025	\$ -	\$ 3,025
Mutual funds:				
European Stock Index Inv	6,829	-	-	6,829
500 Index Fund Inv	5,330	-	-	5,330
Total Stock Mkt Idx Inv	7,780	-	-	7,780
Value Index Fund Inv	7,490	-	-	7,490
Wellesley Income Fund Inv	25,415	-	-	25,415
Wellington Fund Inv	25,205	-	-	25,205
Total Bond Mkt Index Inv	2,081	-	-	2,081
International Value Fund	5,165	-	-	5,165
S-T Investment-Grade Inv	9,255	-	-	9,255
Equities	945	-	-	945
Investments held at the Community Foundation of the Mahoning Valley	-	-	255,293	255,293
	<u>\$ 95,495</u>	<u>\$ 3,025</u>	<u>\$ 255,293</u>	<u>\$ 353,813</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Fair Value Measurements (continued)**

	<u>As of June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ -	\$ 3,006	\$ -	\$ 3,006
Mutual funds:				
European Stock Index Adm	7,660	-	-	7,660
500 Index Fund Inv	5,133	-	-	5,133
Total Stock Mkt Idx Adm	7,623	-	-	7,623
Value Index Fund Adm	7,162	-	-	7,162
Wellesley Income Fund Inv	23,216	-	-	23,216
Wellington Fund Inv	24,062	-	-	24,062
Total Bond Mkt Index Inv	1,962	-	-	1,962
International Value Fund	5,844	-	-	5,844
S-T Investment-Grade Inv	8,972	-	-	8,972
Investments held at the Community Foundation of the Mahoning Valley	<u>-</u>	<u>-</u>	<u>247,657</u>	<u>247,657</u>
	<u>\$ 91,634</u>	<u>\$ 3,006</u>	<u>\$ 247,657</u>	<u>\$ 342,297</u>

Investments – The Organization invests in mutual funds and equities with quoted prices in active markets that are considered to be Level 1 assets. The Organization also invests in money market funds that are not publicly-traded but that invest in Level 1 assets; therefore, these money market funds are Level 2 assets. In addition, the Organization has a percentage of its investments in a community foundation, without a readily determinable market value. These investments are valued at the community foundation's best estimate of the fair value as reviewed by the Organization. Because there is not an active market for an investment in the community foundation, these funds are considered a Level 3 asset. The Organization does not use separate quantitative information to value the investments held at the community foundation. During 2015, the Organization owned stock in a privately-held corporation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used from 2015 to 2016. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Fair Value Measurements (continued)**

Additional information on the changes in Level 3 assets is summarized as follows:

	Investment in Community <u>Foundation</u>	Privately-Held <u>Stock</u>	<u>Total</u>
Balance – June 30, 2014	\$ 249,660	\$ 5,000	\$ 254,660
Unrealized and realized gains	2,769	-	2,769
Investment income	5,869	-	5,869
Purchases	5,500	-	5,500
Sales due to withdrawals	<u>(16,141)</u>	<u>(5,000)</u>	<u>(21,141)</u>
Balance – June 30, 2015	247,657	-	247,657
Unrealized and realized gains	1,009	-	1,009
Investment income	5,838	-	5,838
Purchases	5,000	-	5,000
Sales due to withdrawals	<u>(4,211)</u>	<u>-</u>	<u>(4,211)</u>
Balance – June 30, 2016	\$ <u>255,293</u>	\$ <u>-</u>	\$ <u>255,293</u>

**Note 3. Pledges Receivable**

Beatitude House has received unconditional contributions in the form of pledges to its major gift campaign. Pledges receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 77,250	\$ 31,226
One to five years	94,050	22,250
More than five years	-	-
Discounting for time value	(14,118)	(2,261)
Allowance for uncollectible pledges	<u>(7,900)</u>	<u>(2,600)</u>
	\$ <u>149,282</u>	\$ <u>48,615</u>



BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Line of Credit**

The Organization has a \$50,000 unsecured line of credit arrangement with Huntington National Bank with a variable rate of interest which is the prime rate as defined in the agreement plus 0.25% (3.75% at June 30, 2016). The line had a balance of \$-0- and \$50,000 as of June 30, 2016 and 2015, respectively.

**Note 5. Notes Payable**

Notes payable consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Interest-free note payable to the Ohio Housing Finance Agency, secured by a mortgage on property owned by the Diocese of Youngstown, maturing April 2024.	\$ 50,625	\$ 56,250
Interest-free note payable to the Ohio Housing Finance Agency, secured by a mortgage, maturing September 2024.	<u>29,827</u>	<u>33,141</u>
	<u>\$ 80,452</u>	<u>\$ 89,391</u>

The notes payable above were entered into as part of the State of Ohio Capital Funding to End Homelessness Initiative Repair Program. For each note, principal equal to 10% of the original loan balance will be forgiven for each full year that the Organization maintains the property in accordance with the terms and conditions defined in the agreement. During the year ended June 30, 2016, a total of \$8,939 was forgiven. No cash payments were required for the years ended June 30, 2016 and 2015.

**Note 6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
State grant – program services	\$ 78,251	\$ 4,189
Capital improvements	49,211	13,301
General use – restricted by time	1,588,885	1,485,419
Education	41,896	51,367
Other	<u>276,172</u>	<u>129,796</u>
	<u>\$ 2,034,415</u>	<u>\$ 1,684,072</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 6. Temporarily Restricted Net Assets (continued)**

The general use line above includes \$1,436,803 relating to grants that were used for the construction or renovation of buildings. These funds would need to be repaid if the terms of the grants are violated during a specified time period. The restriction will be released at the end of the time period specified in the grant agreements, ranging from November 2023 to June 2029.

**Note 7. Release of Net Assets**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors:

	<u>2016</u>	<u>2015</u>
State grant – program services	\$ 4,189	\$ 7,428
Capital improvements	11,890	30,880
General use – restricted by time	-	26,374
Education	11,496	6,603
Other	<u>85,647</u>	<u>72,965</u>
	<u>\$ 113,222</u>	<u>\$ 144,250</u>

**Note 8. Endowment Funds**

The Board of Directors of Beatitude House has approved an investment policy detailing the long term goals, asset allocation, guidelines for security selection, and measurable objectives. The basic philosophy of the investment policy is that administration and management of the investments are to be implemented through a limited number of investment pools designed to provide capital growth with reasonable risk. Endowment funds are subject to the investment policy approved by the Board of Directors.

Permanently restricted endowment funds represent funds which are restricted as to use in perpetuity. As of June 30, 2016, Beatitude House records permanent endowment gifts at historic dollar value. The income from these funds is to be used for general operations or education and is recorded as temporarily restricted net assets until the funds are appropriated.

Endowment funds are appropriated based on the Endowment Policy approved by the Board of Directors. Beatitude House has an appropriation policy in place where 5% of the 12 quarter average of the total endowment assets as defined in the endowment distribution policy may be appropriated on an annual basis from the operating endowment. Funds are appropriated as needed from the education endowment. No amounts were appropriated from either endowment during the year ended June 30, 2016.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 8. Endowment Funds (continued)**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ -	\$ 33,011	\$ 171,150	\$ 204,161
Investment return:				
Investment income	-	1,326	-	1,326
Net appreciation (realized and unrealized)	<u>-</u>	<u>2,159</u>	<u>-</u>	<u>2,159</u>
Total investment return	-	3,485	-	3,485
Contributions	-	-	5,000	5,000
Appropriations of endow- ment assets for expenditure	<u>-</u>	<u>(9,337)</u>	<u>-</u>	<u>(9,337)</u>
Endowment net assets, June 30, 2015	-	27,159	176,150	203,309
Investment return:				
Investment income	-	1,244	-	1,244
Net appreciation (realized and unrealized)	<u>-</u>	<u>772</u>	<u>-</u>	<u>772</u>
Total investment return	-	2,016	-	2,016
Contributions	-	-	-	-
Appropriations of endow- ment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2016	\$ <u>-</u>	\$ <u>29,175</u>	\$ <u>176,150</u>	\$ <u>205,325</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 9. Related Party Transactions**

During the years ended June 30, 2016 and 2015, Beatitude House received from its sponsor, the Ursuline Sisters of Youngstown, donations of \$50,000 and \$30,000, respectively, which are included in the faith based groups revenue. For the years ended June 30, 2016 and 2015, respectively, Beatitude House paid the Ursuline Sisters of Youngstown \$73,262, and \$75,132 for salaries and \$10,177 and \$10,318 for retirement and hospitalization.

Beatitude House leases a building from the Ursuline Sisters of Youngstown. (See Note 10).

**Note 10. Lease Commitments**

- A. Beatitude House leases a building from the Ursuline Sisters of Youngstown for one dollar annually and pays all insurance, maintenance, and utilities on the leased premises. The lease expires June 30, 2026. The estimated fair rental value of the building is \$25,500 for each of the years ended June 30, 2016 and 2015. This is reported as in-kind contributions and rent expense in the accompanying financial statements.
- B. Beatitude House leases three buildings from unrelated third parties. For each of the years ended June 30, 2016 and 2015, expense under these leases was \$13,800. At June 30, 2016, the leases are classified as operating leases with minimum rental commitments for each of the next five years as follows:

2017	\$ 7,800
2018	7,800
2019	7,800
2020	7,800
2021	7,800

- C. Beatitude House leases multiple apartments from unrelated third parties for terms of one year or less under the Supportive Housing Program (CFDA #14.235). Under this program, Beatitude House is able to assist low-income women with children in making monthly lease payments. The women sublease the apartments from Beatitude House. Amounts relating to these leases for the years ended June 30 are:

	<u>2016</u>	<u>2015</u>
Program services income	\$ 35,617	\$ 21,192
Expense	154,291	120,092

## BEATITUDE HOUSE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 11. Concentration of Revenue Risk**

The Organization receives a significant portion of its revenues from governmental programs, as shown on the Statements of Activities. During the years ended June 30, 2016 and 2015, revenue from government grants represented approximately 43% and 50%, respectively, of total revenues.

**Note 12. Retirement Plan for Lay Employees**

Prior to June 30, 2011, the Organization contributed an amount equal to 8% of participating employees' wages annually to a pension plan established by the Diocese of Youngstown. This pension plan was frozen on June 30, 2011. Actuarial information for each covered entity is not available. The funded status of the pension plan could impact future contributions required by the Organization. Beginning July 1, 2011, the Organization is responsible for contributing up to 8% of each employee's salary to the Diocese which includes a matching contribution of up to 4% for the 403(b) plan offered by the Diocese. The remaining 4% is a contribution to the frozen pension plan for those employees eligible to receive a benefit under this plan as of July 1, 2011. The total employer contribution to both plans was \$22,369 and \$27,723 for the years ended June 30, 2016 and 2015, respectively.

BEATITUDE HOUSE

DETAILED STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted					Permanently Restricted	Total All Funds	
	Current Fund	Government Grants Fund	Capital Improvements Fund	Time-Restricted Fund	Education Fund	Other Funds	Total	Endowment Fund	2016
<b>REVENUES</b>									
Donations	\$ 289,348	\$ -	\$ 13,650	\$ 103,466	\$ 25	\$ 55,736	\$ 172,877	\$ -	\$ 462,225
Grants - Government	842,831	78,251	33,700	-	-	10,000	121,951	-	964,782
Grants - Foundation	95,953	-	450	-	2,000	111,851	114,301	-	210,254
Faith based groups	86,530	-	-	-	-	2,689	2,689	-	89,219
Special events	198,966	-	-	-	-	49,731	49,731	-	248,697
Rent	28,869	-	-	-	-	-	-	-	28,869
Program services	87,665	-	-	-	-	-	-	-	87,665
Investment income	3,496	-	-	-	-	2,016	2,016	-	5,512
Miscellaneous	4,646	-	-	-	-	-	-	-	4,646
In-kind contributions	173,603	-	-	-	-	-	-	-	173,603
Total revenues	1,811,907	78,251	47,800	103,466	2,025	232,023	463,565	-	2,275,472
Net assets released from restriction:									
Satisfaction of Program Requirements	113,222	(4,189)	(11,890)	-	(11,496)	(85,647)	(113,222)	-	-
<b>TOTAL REVENUES</b>	1,925,129	74,062	35,910	103,466	(9,471)	146,376	350,343	-	2,275,472
<b>EXPENSES</b>									
Program services:									
Direct services	636,089	-	-	-	-	-	-	-	636,089
Housing and educational facilities	982,180	-	-	-	-	-	-	-	982,180
Total program services	1,618,269	-	-	-	-	-	-	-	1,618,269
Management and general	214,749	-	-	-	-	-	-	-	214,749
Fundraising	169,126	-	-	-	-	-	-	-	169,126
Total expenses	2,002,144	-	-	-	-	-	-	-	2,002,144
<b>CHANGE IN FUND BALANCES</b>	(77,015)	74,062	35,910	103,466	(9,471)	146,376	350,343	-	273,328
<b>FUND BALANCES</b>									
Beginning of year	1,704,756	4,189	13,301	1,485,419	51,367	129,796	1,684,072	176,150	3,564,978
End of year	\$ <u>1,627,741</u>	\$ <u>78,251</u>	\$ <u>49,211</u>	\$ <u>1,588,885</u>	\$ <u>41,896</u>	\$ <u>276,172</u>	\$ <u>2,034,415</u>	\$ <u>176,150</u>	\$ <u>3,838,306</u>