

**BEATITUDE HOUSE**  
**FINANCIAL REPORT**  
**JUNE 30, 2019 and 2018**

## BEATITUDE HOUSE

### CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-20
SUPPLEMENTARY INFORMATION	
Detailed statement of activities	21



## 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, 2019 and 2018, 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, 2019 and 2018, 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 22 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 + Novotny LLC*

Canton, Ohio  
October 24, 2019

BEATITUDE HOUSE  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 545,155	\$ 269,299
Receivables:		
Accounts	7,375	32,203
Grants	71,233	147,619
Pledges	248,625	76,450
Note	-	98,000
Prepaid expenses	12,401	2,415
Total current assets	<u>884,789</u>	<u>625,986</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	58,980	58,980
Buildings	120,728	120,728
Building improvements	431,040	410,370
Leasehold improvements	2,068,039	1,892,754
Equipment and vehicles	116,814	127,538
Furniture and fixtures	36,825	58,964
	<u>2,832,426</u>	<u>2,669,334</u>
Less accumulated depreciation	<u>1,371,339</u>	<u>1,293,458</u>
	1,461,087	1,375,876
<b>OTHER ASSETS</b>		
Investments	561,053	422,070
Deposits	-	625
Receivables:		
Pledges - net	256,222	118,276
Total other assets	<u>817,275</u>	<u>540,971</u>
	<u>\$ 3,163,151</u>	<u>\$ 2,542,833</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 31,664	\$ 43,365
Security deposits	2,114	2,473
Accrued payroll and taxes	69,586	59,106
Total current liabilities	<u>103,364</u>	<u>104,944</u>
Notes payable	53,635	62,574
Total liabilities	<u>156,999</u>	<u>167,518</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,490,084	1,176,747
With donor restrictions	1,516,068	1,198,568
	<u>3,006,152</u>	<u>2,375,315</u>
	<u>\$ 3,163,151</u>	<u>\$ 2,542,833</u>

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

BEATITUDE HOUSE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Donations	\$ 557,561	\$ 201,733	\$ 759,294
Grants - Government	778,153	84,201	862,354
Grants - Foundation	226,951	246,407	473,358
Faith-based groups	60,714	4,701	65,415
Special events	131,249	-	131,249
Rent	3,305	-	3,305
Program services	45,184	-	45,184
Investment return - net	9,483	19,203	28,686
Miscellaneous	5,129	-	5,129
Loss on sale of property and equipment	(8,377)	-	(8,377)
In-kind contributions	151,584	-	151,584
Total revenues	<u>1,960,936</u>	<u>556,245</u>	<u>2,517,181</u>
Net assets released from restriction	<u>238,745</u>	<u>(238,745)</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>2,199,681</u>	<u>317,500</u>	<u>2,517,181</u>
<b>EXPENSES</b>			
Program services:			
Direct services	517,089	-	517,089
Housing and educational facilities	898,979	-	898,979
Total program services	<u>1,416,068</u>	<u>-</u>	<u>1,416,068</u>
Management and general	294,508	-	294,508
Fundraising	175,768	-	175,768
Total expenses	<u>1,886,344</u>	<u>-</u>	<u>1,886,344</u>
<b>CHANGE IN NET ASSETS</b>	<u>313,337</u>	<u>317,500</u>	<u>630,837</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,176,747</u>	<u>1,198,568</u>	<u>2,375,315</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,490,084</u>	<u>\$ 1,516,068</u>	<u>\$ 3,006,152</u>

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

BEATITUDE HOUSE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Donations	\$ 442,031	\$ 70,425	\$ 512,456
Grants - Government	834,252	-	834,252
Grants - Foundation	110,609	91,366	201,975
Faith-based groups	66,308	132,349	198,657
Special events	94,020	-	94,020
Rent	6,616	-	6,616
Program services	70,271	-	70,271
Investment return - net	7,641	12,587	20,228
Miscellaneous	19,148	-	19,148
Loss on sale of property and equipment	(1,318,034)	-	(1,318,034)
In-kind contributions	170,703	-	170,703
Total revenues	<u>503,565</u>	<u>306,727</u>	<u>810,292</u>
Net assets released from restriction	<u>1,015,237</u>	<u>(1,015,237)</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,518,802</u>	<u>(708,510)</u>	<u>810,292</u>
<b>EXPENSES</b>			
Program services:			
Direct services	514,573	-	514,573
Housing and educational facilities	969,499	-	969,499
Total program services	<u>1,484,072</u>	<u>-</u>	<u>1,484,072</u>
Management and general	338,302	-	338,302
Fundraising	211,052	-	211,052
Total expenses	<u>2,033,426</u>	<u>-</u>	<u>2,033,426</u>
<b>CHANGE IN NET ASSETS</b>	<u>(514,624)</u>	<u>(708,510)</u>	<u>(1,223,134)</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,691,371</u>	<u>1,907,078</u>	<u>3,598,449</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,176,747</u>	<u>\$ 1,198,568</u>	<u>\$ 2,375,315</u>

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

BEATITUDE HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2019 and 2018

FUNCTIONAL EXPENSES	Year Ended June 30, 2019				
	Program Services			Fund-raising	Total
	Direct Services	Housing & Educational Facilities	Management & General		
Salaries	\$ 305,862	\$ 261,094	\$ 115,873	\$ 96,278	\$ 779,107
Utilities	-	78,425	4,236	-	82,661
Telephone and internet	-	14,407	3,018	-	17,425
Repairs and maintenance	-	53,372	-	-	53,372
Program	68,105	-	-	-	68,105
Insurance	-	17,263	-	-	17,263
Rent	-	276,817	6,123	-	282,940
Transportation	1,572	-	921	398	2,891
Administrative	20,287	10,716	12,371	3,610	46,984
Payroll taxes	29,797	19,057	15,104	9,669	73,627
Employee benefits	72,079	45,475	45,930	23,072	186,556
Fundraising and special events	-	-	-	40,536	40,536
Professional fees	-	-	49,662	465	50,127
Contract services	8,549	-	14,037	-	22,586
Household	1,524	-	-	-	1,524
Security	-	9,550	1,364	-	10,914
Technology	5,511	5,031	2,236	1,695	14,473
Depreciation	-	107,772	14,696	-	122,468
Miscellaneous	3,803	-	8,937	45	12,785
<b>Total functional expenses</b>	<b>\$ 517,089</b>	<b>\$ 898,979</b>	<b>\$ 294,508</b>	<b>\$ 175,768</b>	<b>\$ 1,886,344</b>

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

BEATITUDE HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2019 and 2018

FUNCTIONAL EXPENSES	Year Ended June 30, 2018				
	Program Services				Total
	Direct Services	Housing & Educational Facilities	Management & General	Fund-raising	
Salaries	\$ 281,505	\$ 251,889	\$ 152,080	\$ 85,454	\$ 770,928
Utilities	-	93,802	4,319	-	98,121
Telephone and internet	-	17,784	6,942	-	24,726
Repairs and maintenance	-	67,971	-	-	67,971
Program	53,006	-	-	-	53,006
Insurance	-	18,180	-	-	18,180
Rent	-	278,055	4,200	-	282,255
Transportation	2,156	-	1,193	520	3,869
Administrative	25,199	16,325	17,261	5,073	63,858
Payroll taxes	32,771	21,919	11,173	5,653	71,516
Employee benefits	81,816	53,581	31,929	13,818	181,144
Fundraising and special events	-	-	-	100,212	100,212
Professional fees	-	-	45,995	320	46,315
Contract services	15,900	-	35,239	-	51,139
Household	9,122	-	-	-	9,122
Security	-	12,954	1,851	-	14,805
Technology	-	-	-	-	-
Depreciation	-	137,039	18,687	-	155,726
Miscellaneous	13,098	-	7,433	2	20,533
<b>Total functional expenses</b>	<b>\$ 514,573</b>	<b>\$ 969,499</b>	<b>\$ 338,302</b>	<b>\$ 211,052</b>	<b>\$ 2,033,426</b>

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

BEATITUDE HOUSE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 630,837	\$ (1,223,134)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contribution of investments	(5,016)	(15,342)
Non-cash contribution of property and equipment	-	(32,563)
Forgiveness of notes payable	(8,939)	(8,939)
(Gain) on investments	(22,844)	(15,122)
Loss on sale of property and equipment	8,377	1,318,034
Depreciation	122,468	155,726
Contributions restricted to endowment	(10,600)	(6,000)
Decrease (increase) in:		
Receivables	(208,907)	(145,695)
Prepaid expenses	(9,986)	(2,415)
Deposits	625	50
Increase (decrease) in:		
Accounts payable	(11,701)	26,374
Security deposits, accrued payroll and taxes	10,121	19,514
Net cash provided by operating activities	<u>494,435</u>	<u>70,488</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(216,556)	(41,804)
Proceeds from sale of property and equipment	500	15,800
Collection of note receivable	98,000	-
(Increase) decrease in investments	(111,123)	4,060
Net cash (used) by investing activities	<u>(229,179)</u>	<u>(21,944)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of contributions restricted to endowment	10,600	6,000
Net cash provided by financing activities	<u>10,600</u>	<u>6,000</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	275,856	54,544
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>269,299</u>	<u>214,755</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 545,155</u>	<u>\$ 269,299</u>

**SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES**

During 2018, Beatitude House received a note receivable for \$98,000 for the sale of the Warren building.

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") organized on July 2, 1990 in response to the needs of low-income, homeless women and children. Beatitude House now operates three programs including Housing, Immigrant Outreach and Ursuline Sisters Scholars. The housing program includes both transitional and permanent supportive housing. Since 2007, the Immigrant Outreach Program has provided classes in English as a Second Language to women and tutoring for their school-aged children. The Ursuline Sisters Scholars program helps low-income students stay focused on achieving a post-secondary education with monthly financial assistance as well as volunteer mentors. All three programs offer support services and enrichment activities.

Ursuline Ministries, which is sponsored by the Ursuline Sisters of Youngstown, is the sole corporate member of Beatitude House.

- B. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions. Beatitude House reports gifts and grants of cash and other assets as support with donor restrictions 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.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

- E. Gifts and Memorials – All gifts and memorials are considered to be without donor restrictions 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. 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. In-kind contributions reflected in the financial statements are as follows:

	June 30,	
	<u>2019</u>	<u>2018</u>
Audit fees	\$ 17,600	\$ 17,000
Rent	120,764	119,564
Other	<u>13,220</u>	<u>34,139</u>
	<u>\$ 151,584</u>	<u>\$ 170,703</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.
- 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.
- J. Cash Equivalents – The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

- K. Functional Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation and security, which are allocated on a square footage basis, as well as salaries, employee benefits, payroll taxes, administrative and technology, which are allocated on the basis of estimates of time and effort.
- L. Subsequent Events – The Organization has evaluated subsequent events through October 24, 2019, which is the date the financial statements were available to be issued.
- M. Reclassification – Certain information previously presented has been reclassified to conform to the current presentation.
- N. New Accounting Principle – During the year ended June 30, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The accompanying information from the June 30, 2018 financial statements has been restated to conform to the June 30, 2019 presentation and disclosure requirements of ASU 2016-14.

**Note 1. Investments**

Investments consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 140,694	\$ 39,700
Mutual funds	144,244	136,799
Investments held at the Community Foundation of the Mahoning Valley	<u>276,115</u>	<u>245,571</u>
	<u>\$ 561,053</u>	<u>\$ 422,070</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.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**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

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:

	<u>As of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ -	\$ 140,694	\$ -	\$ 140,694
Mutual funds:				
European Stock Index Adm	11,204	-	-	11,204
Pacific Stock Index Adm	10,291	-	-	10,291
Strategic Equity Fund	5,002	-	-	5,002
500 Index Fund Adm	7,906	-	-	7,906
Value Index Fund Inv	10,535	-	-	10,535
Wellesley Income Fund Inv	30,301	-	-	30,301
Total Bond Mkt Index Adm	2,216	-	-	2,216
International Value Fund	8,921	-	-	8,921
S-T Investment-Grade Adm	57,868	-	-	57,868
Investments held at the Community Foundation of the Mahoning Valley	<u>-</u>	<u>276,115</u>	<u>-</u>	<u>276,115</u>
	<u>\$ 144,244</u>	<u>\$ 416,809</u>	<u>\$ -</u>	<u>\$ 561,053</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>As of June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ -	\$ 39,700	\$ -	\$ 39,700
Mutual funds:				
European Stock Index Adm	11,070	-	-	11,070
Pacific Stock Index Adm	10,565	-	-	10,565
Strategic Equity Fund	5,018	-	-	5,018
500 Index Fund Inv	7,169	-	-	7,169
Value Index Fund Inv	9,592	-	-	9,592
Wellesley Income Fund Inv	27,510	-	-	27,510
Total Bond Mkt Index Inv	2,056	-	-	2,056
International Value Fund	8,956	-	-	8,956
S-T Investment-Grade Adm	54,863	-	-	54,863
Investments held at the Community Foundation of the Mahoning Valley	-	245,571	-	245,571
	<u>\$ 136,799</u>	<u>\$ 285,271</u>	<u>\$ -</u>	<u>\$ 422,070</u>

Investments – The Organization invests in mutual funds 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, which invests in Level 1 and Level 2 assets. The Organization's investment is based on the underlying value of the community foundation's investments. As such, this investment is a Level 2 asset.

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 2018 to 2019. 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 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>2019</u>	<u>2018</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 248,625	\$ 76,450
One to five years	294,150	141,700
More than five years	-	-
Discounting for time value	(24,428)	(15,624)
Allowance for uncollectible pledges	<u>(13,500)</u>	<u>(7,800)</u>
	<u>\$ 504,847</u>	<u>\$ 194,726</u>

**Note 4. Line of Credit**

The Organization had a \$50,000 unsecured line of credit arrangement with Huntington National Bank with a variable rate of interest which was the prime rate as defined in the agreement plus 0.25%. The line had a balance of \$-0- as of June 30, 2018. The line was closed during the year ended June 30, 2019.

**Note 5. Notes Payable**

Notes payable consist of the following as of June 30:

	<u>2019</u>	<u>2018</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.	\$ 33,750	\$ 39,375
Interest-free note payable to the Ohio Housing Finance Agency, secured by a mortgage, maturing September 2024.	<u>19,885</u>	<u>23,199</u>
	<u>\$ 53,635</u>	<u>\$ 62,574</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 each of the years ended June 30, 2019 and 2018, \$8,939 was forgiven. No cash payments were required for the years ended June 30, 2019 and 2018.

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 6. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Capital improvements	\$ 14,087	\$ 34,079
State grant – program services	25,812	-
Education	175,550	156,022
Other programs	<u>103,883</u>	<u>87,544</u>
	319,332	277,645
 Subject to passage of time:		
General use	920,736	674,726
 Subject to appropriation:		
Accumulated earnings on endowment funds	73,250	54,047
Endowment funds restricted in perpetuity	<u>202,750</u>	<u>192,150</u>
	<u>276,000</u>	<u>246,196</u>
	<u>\$1,516,068</u>	<u>\$1,198,568</u>

The general use line above includes \$500,000 as of June 30, 2019 and 2018, relating to grants that were used for the construction or renovation of buildings. During the fiscal year ended June 30, 2018, the Organization sold one of the buildings that was constructed using a restricted grant. Due to the sale of the building, \$936,803 was released from restriction. The remaining \$500,000 would need to be repaid if the terms of the grant are violated during a specific time period. If the terms are not violated, the restriction will be released in September 2026.

**Note 7. 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.

Endowment funds with donor restrictions include funds which are restricted as to use in perpetuity. As of June 30, 2019, Beatitude House records endowment gifts at historic dollar value. The income from these funds is to be used for general operations or education and is recorded as net assets with donor restrictions until the funds are appropriated.

## BEATITUDE HOUSE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **Note 7. Endowment Funds (continued)**

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 years ended June 30, 2019 and 2018.

Interpretation of Relevant Law – The State of Ohio has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The preservation of the fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the Organization

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 7. Endowment Funds (continued)**

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Accumulated Gains</u>	<u>Original Gift</u>	
Endowment net assets, June 30, 2017	\$ -	\$ 41,460	\$ 186,150	\$ 227,160
Investment return – net	-	12,587	-	12,587
Contributions	-	-	6,000	6,000
Appropriations of endow- ment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2018	-	54,047	192,150	246,197
Investment return – net	-	19,203	-	19,203
Contributions	-	-	10,600	10,600
Appropriations of endow- ment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2019	\$ <u>-</u>	\$ <u>73,250</u>	\$ <u>202,750</u>	\$ <u>276,000</u>

**Note 8. Related Party Transactions**

During the years ended June 30, 2019 and 2018, Beatitude House received from the Ursuline Sisters of Youngstown donations of \$30,000 and \$45,000, respectively, which are included in revenue from faith-based groups. For the years ended June 30, 2019 and 2018, respectively, Beatitude House paid the Ursuline Sisters of Youngstown \$47,221, and \$50,123 for salaries and \$10,862 and \$6,321 for retirement and hospitalization.

During each of the years ended June 30, 2019 and 2018, Beatitude House paid management fees to Ursuline Ministries of \$10,000.

Beatitude House leases a building from the Ursuline Sisters of Youngstown. (See Note 9).

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 8. Related Party Transactions (continued)**

During the year ended June 30, 2018, Ursuline Center, which also has Ursuline Ministries as its sole corporate member, transferred \$111,242 in net assets related to one of its programs to Beatitude House. This amount is included in revenue from faith-based groups in the accompanying financial statements.

**Note 9. Lease Commitments**

- A. Beatitude House leases a building from the Ursuline Sisters of Youngstown for \$1,200 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, 2019 and 2018. The difference between the fair rental value and payments 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 the years ended June 30, 2019 and 2018, expense under these leases was \$14,400. At June 30, 2019, the leases are classified as operating leases with minimum rental commitments for each of the next five years as follows:

2020	\$7,800
2021	7,800
2022	7,800
2023	3,600
2024	3,600

- 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>2019</u>	<u>2018</u>
Program services income	\$ 33,423	\$ 34,815
Expense	146,721	153,472

## BEATITUDE HOUSE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **Note 10. 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, 2019 and 2018, revenue from government grants represented approximately 34% and 40%, respectively, of total revenues, excluding the losses on sale of property and equipment.

#### **Note 11. 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 \$16,007 and \$17,055 for the years ended June 30, 2019 and 2018, respectively.

#### **Note 12. Liquidity and Availability**

The Organization strives to maintain liquid financial assets sufficient to cover 180 days of general expenditures. Financial assets in excess of current operating requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of June 30, 2019 reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date because of donor restrictions. Amounts not available include certain investments with donor restrictions as more fully described in Note 7.

## BEATITUDE HOUSE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### **Note 12. Liquidity and Availability (continued)**

The financial assets available to meet general expenditures within one year as of June 30, 2019 are as follows:

Cash and cash equivalents	\$ 545,155
Investments	561,053
Total receivables, net	<u>583,455</u>
Total financial assets	1,689,663
Investments with donor restrictions	(276,000)
Funds subject to expenditure for specified purpose	(319,332)
Long-term pledges	<u>(256,222)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>838,109</u>

#### **Note 13. Sale of Building/Note Receivable**

During the year ended June 30, 2018, the Organization sold a building in Warren, Ohio that was used as apartments for women and children participating in the Organization's programs. The sale price was \$108,000, of which \$98,000 at June 30, 2018 was to be paid in monthly installments through June 30, 2019 under the terms of the agreement. The \$98,000 was presented as a note receivable in the accompanying Statement of Financial Position as of June 30, 2018 and was paid in full as of June 30, 2019. In addition to the cash consideration, the buyer agreed to assume all obligations and compliance with restrictive covenants related to two grants totaling \$936,803 that are described in Note 6. This transaction resulted in a loss of \$1,316,224 that is included in the loss of sale of property and equipment in the accompanying Statement of Activity for the year ended June 30, 2018.

#### **Note 14. Corporate Restructuring**

During the year ended June 30, 2018, the Ursuline Sisters of Youngstown (Sisters) transferred its sole corporate membership in Beatitude House to Ursuline Ministries, another entity of which the Sisters is the sole corporate member.

BEATITUDE HOUSE

DETAILED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor	With Donor Restrictions							Total All Funds
	Restrictions	Government	Capital	Time-	Education	Other	Endowment	Total	2019
	Current	Grants	Improvements	Restricted	Fund	Funds	Fund		
	Fund	Fund	Fund	Fund	Fund	Funds	Fund		
<b>REVENUES</b>									
Donations	\$ 557,561	\$ -	\$ -	\$ 187,621	\$ -	\$ 3,512	\$ 10,600	\$ 201,733	\$ 759,294
Grants - Government	778,153	25,812	-	58,389	-	-	-	84,201	862,354
Grants - Foundation	226,951	-	10,000	-	164,319	72,088	-	246,407	473,358
Faith based groups	60,714	-	-	-	274	4,427	-	4,701	65,415
Special events	131,249	-	-	-	-	-	-	-	131,249
Rent	3,305	-	-	-	-	-	-	-	3,305
Program services	45,184	-	-	-	-	-	-	-	45,184
Investment return - net	9,483	-	-	-	-	19,203	-	19,203	28,686
Miscellaneous	5,129	-	-	-	-	-	-	-	5,129
Loss on sale of property and equipment	(8,377)	-	-	-	-	-	-	-	(8,377)
In-kind contributions	151,584	-	-	-	-	-	-	-	151,584
Total revenues	1,960,936	25,812	10,000	246,010	164,593	99,230	10,600	556,245	2,527,781
Net assets released from restriction	238,745	-	(29,992)	-	(145,065)	(63,688)	-	(238,745)	-
<b>TOTAL REVENUES</b>	2,199,681	25,812	(19,992)	246,010	19,528	35,542	10,600	317,500	2,527,781
<b>EXPENSES</b>									
Program services:									
Direct services	517,089	-	-	-	-	-	-	-	517,089
Housing and educational facilities	898,979	-	-	-	-	-	-	-	898,979
Total program services	1,416,068	-	-	-	-	-	-	-	1,416,068
Management and general	294,508	-	-	-	-	-	-	-	294,508
Fundraising	175,768	-	-	-	-	-	-	-	175,768
Total expenses	1,886,344	-	-	-	-	-	-	-	1,886,344
<b>CHANGE IN FUND BALANCES</b>	313,337	25,812	(19,992)	246,010	19,528	35,542	10,600	317,500	630,837
<b>FUND BALANCES</b>									
Beginning of year	1,176,747	-	34,079	674,726	156,022	141,591	192,150	1,198,568	2,375,315
End of year	\$ <u>1,490,084</u>	\$ <u>25,812</u>	\$ <u>14,087</u>	\$ <u>920,736</u>	\$ <u>175,550</u>	\$ <u>177,133</u>	\$ <u>202,750</u>	\$ <u>1,516,068</u>	\$ <u>3,006,152</u>