

BEATITUDE HOUSE
FINANCIAL REPORT
JUNE 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 21 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
January 16, 2019

BEATITUDE HOUSE
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 269,299	\$ 214,755
Receivables:		
Accounts	32,203	10,870
Grants	147,619	98,123
Pledges	76,450	32,500
Note	98,000	-
Prepaid expenses	2,415	-
Total current assets	<u>625,986</u>	<u>356,248</u>
PROPERTY AND EQUIPMENT		
Land	58,980	58,980
Buildings	120,728	2,054,509
Building improvements	410,370	435,353
Leasehold improvements	1,892,754	1,876,723
Equipment and vehicles	127,538	120,668
Furniture and fixtures	58,964	58,964
	<u>2,669,334</u>	<u>4,605,197</u>
Less accumulated depreciation	<u>1,293,458</u>	<u>1,716,128</u>
	<u>1,375,876</u>	<u>2,889,069</u>
OTHER ASSETS		
Investments	422,070	395,666
Deposits	625	675
Receivables:		
Pledges - net	118,276	87,360
Total other assets	<u>540,971</u>	<u>483,701</u>
	<u>\$ 2,542,833</u>	<u>\$ 3,729,018</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 43,365	\$ 16,991
Security deposits	2,473	3,445
Accrued payroll and taxes	59,106	38,620
Total current liabilities	<u>104,944</u>	<u>59,056</u>
Notes payable	62,574	71,513
Total liabilities	<u>167,518</u>	<u>130,569</u>
NET ASSETS		
Unrestricted	1,176,747	1,691,371
Temporarily restricted	1,006,418	1,720,928
Permanently restricted	192,150	186,150
	<u>2,375,315</u>	<u>3,598,449</u>
	<u>\$ 2,542,833</u>	<u>\$ 3,729,018</u>

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

BEATITUDE HOUSE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2018 and 2017

	Year Ended June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Donations	\$ 442,031	\$ 64,425	\$ 6,000	\$ 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 income	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>300,727</u>	<u>6,000</u>	<u>810,292</u>
Net assets released from restriction:				
Satisfaction of Program Requirements	<u>1,015,237</u>	<u>(1,015,237)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,518,802</u>	<u>(714,510)</u>	<u>6,000</u>	<u>810,292</u>
EXPENSES				
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>-</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>-</u>	<u>2,033,426</u>
CHANGE IN NET ASSETS	<u>(514,624)</u>	<u>(714,510)</u>	<u>6,000</u>	<u>(1,223,134)</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,691,371</u>	<u>1,720,928</u>	<u>186,150</u>	<u>3,598,449</u>
NET ASSETS - END OF YEAR	<u>\$ 1,176,747</u>	<u>\$ 1,006,418</u>	<u>\$ 192,150</u>	<u>\$ 2,375,315</u>

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

BEATITUDE HOUSE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2018 and 2017

	Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	\$ 374,889	\$ 6,949	\$ 10,000	\$ 391,838
Grants - Government	659,315	-	-	659,315
Grants - Foundation	79,044	47,898	-	126,942
Faith based groups	73,326	7,942	-	81,268
Special events	128,824	-	-	128,824
Rent	27,586	-	-	27,586
Program services	88,646	-	-	88,646
Investment income	14,492	12,285	-	26,777
Miscellaneous	5,673	-	-	5,673
Loss on sale of property and equipment	(9,093)	-	-	(9,093)
In-kind contributions	144,204	-	-	144,204
Total revenues	<u>1,586,906</u>	<u>75,074</u>	<u>10,000</u>	<u>1,671,980</u>
Net assets released from restriction:				
Satisfaction of Program Requirements	<u>388,561</u>	<u>(388,561)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	1,975,467	(313,487)	10,000	1,671,980
EXPENSES				
Program services:				
Direct services	525,927	-	-	525,927
Housing and educational facilities	1,004,690	-	-	1,004,690
Total program services	<u>1,530,617</u>	<u>-</u>	<u>-</u>	<u>1,530,617</u>
Management and general	246,496	-	-	246,496
Fundraising	134,724	-	-	134,724
Total expenses	<u>1,911,837</u>	<u>-</u>	<u>-</u>	<u>1,911,837</u>
CHANGE IN NET ASSETS	63,630	(313,487)	10,000	(239,857)
NET ASSETS - BEGINNING OF YEAR	<u>1,627,741</u>	<u>2,034,415</u>	<u>176,150</u>	<u>3,838,306</u>
NET ASSETS - END OF YEAR	<u>\$ 1,691,371</u>	<u>\$ 1,720,928</u>	<u>\$ 186,150</u>	<u>\$ 3,598,449</u>

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

BEATITUDE HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2018 and 2017

FUNCTIONAL EXPENSES	Year Ended June 30, 2018				
	Program Services		Management & General	Fund- raising	Total
	Direct Services	Housing & Educational Facilities			
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
Depreciation	-	137,039	18,687	-	155,726
Miscellaneous	13,098	-	7,433	2	20,533
Total functional expenses	\$ 514,573	\$ 969,499	\$ 338,302	\$ 211,052	\$ 2,033,426

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

BEATITUDE HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2018 and 2017

FUNCTIONAL EXPENSES	Year Ended June 30, 2017				
	Program Services		Management & General	Fund- raising	Total
	Direct Services	Housing & Educational Facilities			
Salaries	\$ 301,796	\$ 281,577	\$ 102,806	\$ 52,586	\$ 738,765
Utilities	-	100,202	4,185	-	104,387
Telephone and internet	-	18,988	3,996	-	22,984
Repairs and maintenance	-	61,519	-	-	61,519
Program	19,718	-	-	-	19,718
Insurance	-	16,152	-	-	16,152
Rent	-	261,859	4,300	-	266,159
Transportation	1,550	-	1,873	278	3,701
Administrative	16,232	10,614	8,861	1,683	37,390
Payroll taxes	30,195	24,337	6,834	7,402	68,768
Employee benefits	100,552	73,228	25,264	22,271	221,315
Fundraising and special events	-	-	-	50,229	50,229
Professional fees	-	-	41,926	-	41,926
Contract services	34,025	-	8,440	-	42,465
Household	10,105	-	-	-	10,105
Security	-	12,329	1,761	-	14,090
Depreciation	-	143,885	19,621	-	163,506
Miscellaneous	11,754	-	16,629	275	28,658
Total functional expenses	\$ 525,927	\$ 1,004,690	\$ 246,496	\$ 134,724	\$ 1,911,837

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

BEATITUDE HOUSE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,223,134)	\$ (239,857)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash contribution of investments	(15,342)	(9,175)
Non-cash contribution of property and equipment	(32,563)	-
Forgiveness of notes payable	(8,939)	(8,939)
(Gain) on investments	(15,122)	(22,924)
Loss on sale of property and equipment	1,318,034	9,093
Depreciation	155,726	163,506
Permanently restricted contributions	(6,000)	(10,000)
Decrease (increase) in:		
Receivables	(145,695)	101,734
Prepaid expenses	(2,415)	10,000
Deposits	50	-
Increase (decrease) in:		
Accounts payable	26,374	(16,231)
Security deposits, accrued payroll and taxes	19,514	16,504
Net cash provided (used) by operating activities	<u>70,488</u>	<u>(6,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(41,804)	(71,546)
Proceeds from sale of property and equipment	15,800	-
Decrease (increase) in investments	4,060	(9,754)
Net cash (used) by investing activities	<u>(21,944)</u>	<u>(81,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	6,000	10,000
Net cash provided by financing activities	<u>6,000</u>	<u>10,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,544	(77,589)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>214,755</u>	<u>292,344</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 269,299</u>	<u>\$ 214,755</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") 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.

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 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 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. 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, 2018 and 2017, 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>2018</u>	<u>2017</u>
Audit fees	\$ 17,000	\$ 16,100
Rent	119,564	120,764
Other	<u>34,139</u>	<u>7,340</u>
	<u>\$ 170,703</u>	<u>\$ 144,204</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 \$155,726 and \$163,506 for the years ended June 30, 2018 and 2017, 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 January 16, 2019, 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>2018</u>	<u>2017</u>
Money market funds	\$ 39,700	\$ 64,100
Mutual funds	136,799	105,090
Investments held at the Community Foundation of the Mahoning Valley	<u>245,571</u>	<u>226,476</u>
	<u>\$ 422,070</u>	<u>\$ 395,666</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:

	<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>\$ 39,700</u>	<u>\$ 245,571</u>	<u>\$ 422,070</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Fair Value Measurements (continued)

	As of June 30, 2017			
Investments:				
Money market funds	\$ -	\$ 64,100	\$ -	\$ 64,100
Mutual funds:				
European Stock Index Inv	8,298	-	-	8,298
500 Index Fund Inv	6,276	-	-	6,276
Total Stock Mkt Idx Inv	9,208	-	-	9,208
Value Index Fund Inv	8,715	-	-	8,715
Wellesley Income Fund Inv	26,678	-	-	26,678
Wellington Fund Inv	28,288	-	-	28,288
Total Bond Mkt Index Inv	2,069	-	-	2,069
International Value Fund	6,191	-	-	6,191
S-T Investment-Grade Inv	9,367	-	-	9,367
Investments held at the Community Foundation of the Mahoning Valley	<u>-</u>	<u>-</u>	<u>226,476</u>	<u>226,476</u>
	<u>\$ 105,090</u>	<u>\$ 64,100</u>	<u>\$ 226,476</u>	<u>\$ 395,666</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.

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 2017 to 2018. 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>
Balance – June 30, 2016	255,293
Unrealized and realized gains	14,952
Investment income	6,128
Purchases	15,000
Sales due to withdrawals	<u>(64,897)</u>
Balance – June 30, 2017	226,476
Unrealized and realized gains	11,888
Investment income	5,203
Purchases	6,000
Sales due to withdrawals	<u>(3,996)</u>
Balance – June 30, 2018	\$ <u>245,571</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>2018</u>	<u>2017</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 76,450	\$ 32,500
One to five years	141,700	106,250
More than five years	-	-
Discounting for time value	(15,624)	(12,590)
Allowance for uncollectible pledges	<u>(7,800)</u>	<u>(6,300)</u>
	\$ <u>194,726</u>	\$ <u>119,860</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% (5.25% at June 30, 2018). The line had a balance of \$-0- as of June 30, 2018 and 2017.

Note 5. Notes Payable

Notes payable consist of the following as of June 30:

	<u>2018</u>	<u>2017</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.	\$ 39,375	\$ 45,000
Interest-free note payable to the Ohio Housing Finance Agency, secured by a mortgage, maturing September 2024.	<u>23,199</u>	<u>26,513</u>
	<u>\$ 62,574</u>	<u>\$ 71,513</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, 2018 and 2017, \$8,939 was forgiven. No cash payments were required for the years ended June 30, 2018 and 2017.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Capital improvements	\$ 34,079	\$ 29,080
General use – restricted by time	674,726	1,556,663
Education	156,022	41,104
Other	<u>141,591</u>	<u>94,081</u>
	<u>\$ 1,006,418</u>	<u>\$ 1,720,928</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Temporarily Restricted Net Assets (continued)

The general use line above includes \$500,000 as of June 30, 2018, and \$1,436,803 as of June 30, 2017, 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 two of these restricted grants. 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. 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>2018</u>	<u>2017</u>
State grant – program services	\$ -	\$ 78,251
Capital improvements	28,005	48,406
General use – restricted by time	936,803	32,222
Education	16,271	3,292
Other program services	<u>34,158</u>	<u>226,390</u>
	<u>\$ 1,015,237</u>	<u>\$ 388,561</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, 2018, 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 years ended June 30, 2018 and 2017.

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, 2016	\$ -	\$ 29,175	\$ 176,150	\$ 205,325
Investment return:				
Investment income	-	935	-	935
Net appreciation (realized and unrealized)	<u>-</u>	<u>11,350</u>	<u>-</u>	<u>11,350</u>
Total investment return	-	12,285	-	12,285
Contributions	-	-	10,000	10,000
Appropriations of endow- ment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2017	-	41,460	186,150	227,160
Investment return:				
Investment income	-	1,160	-	1,160
Net appreciation (realized and unrealized)	<u>-</u>	<u>11,427</u>	<u>-</u>	<u>11,427</u>
Total investment return	-	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	\$ <u>-</u>	\$ <u>54,047</u>	\$ <u>192,150</u>	\$ <u>246,197</u>

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Related Party Transactions

During the years ended June 30, 2018 and 2017, Beatitude House received from the Ursuline Sisters of Youngstown donations of \$45,000 and \$30,000, respectively, which are included in the faith based groups revenue. For the years ended June 30, 2018 and 2017, respectively, Beatitude House paid the Ursuline Sisters of Youngstown \$50,123, and \$70,103 for salaries and \$6,321 and \$10,748 for retirement and hospitalization.

During the years ended June 30, 2018 and 2017, Beatitude House paid management fees to Ursuline Ministries of \$10,000 and \$-0-, respectively.

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

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 10. 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, 2018 and 2017. 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, 2018 and 2017, expense under these leases was \$14,400 and \$14,300, respectively. At June 30, 2018, the leases are classified as operating leases with minimum rental commitments for each of the next five years as follows:

2019	\$ 7,800
2020	7,800
2021	7,800
2022	7,800
2023	3,600

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10. Lease Commitments (continued)

- 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>2018</u>	<u>2017</u>
Program services income	\$ 34,815	\$ 32,926
Expense	153,472	136,920

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, 2018 and 2017, revenue from government grants represented approximately 40% and 39%, respectively, of total revenues, excluding the losses on sale of property and equipment.

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 \$17,055 and \$22,232 for the years ended June 30, 2018 and 2017, respectively.

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 is to be paid in monthly installments through June 30, 2019 under the terms of the agreement. The \$98,000 is presented as note receivable in the

BEATITUDE HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 13. Sale of Building/Note Receivable (continued)

accompanying Statement of Financial Position. 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.

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, 2018

	Unrestricted	Temporarily Restricted				Permanently Restricted	Total All Funds	
	Current Fund	Capital Improvements Fund	Time-Restricted Fund	Education Fund	Other Funds	Endowment Fund	2018	
REVENUES								
Donations	\$ 442,031	\$ -	\$ 54,866	\$ -	\$ 9,559	\$ 64,425	\$ 6,000	\$ 512,456
Grants - Government	834,252	-	-	-	-	-	-	834,252
Grants - Foundation	110,609	33,004	-	4,947	53,415	91,366	-	201,975
Faith based groups	66,308	-	-	126,242	6,107	132,349	-	198,657
Special events	94,020	-	-	-	-	-	-	94,020
Rent	6,616	-	-	-	-	-	-	6,616
Program services	70,271	-	-	-	-	-	-	70,271
Investment income	7,641	-	-	-	12,587	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	503,565	33,004	54,866	131,189	81,668	300,727	6,000	810,292
Net assets released from restriction:								
Satisfaction of Program Requirements	1,015,237	(28,005)	(936,803)	(16,271)	(34,158)	(1,015,237)	-	-
TOTAL REVENUES	1,518,802	4,999	(881,937)	114,918	47,510	(714,510)	6,000	810,292
EXPENSES								
Program services:								
Direct services	514,573	-	-	-	-	-	-	514,573
Housing and educational facilities	969,499	-	-	-	-	-	-	969,499
Total program services	1,484,072	-	-	-	-	-	-	1,484,072
Management and general	338,302	-	-	-	-	-	-	338,302
Fundraising	211,052	-	-	-	-	-	-	211,052
Total expenses	2,033,426	-	-	-	-	-	-	2,033,426
CHANGE IN FUND BALANCES	(514,624)	4,999	(881,937)	114,918	47,510	(714,510)	6,000	(1,223,134)
FUND BALANCES								
Beginning of year	1,691,371	29,080	1,556,663	41,104	94,081	1,720,928	186,150	3,598,449
End of year	\$ <u>1,176,747</u>	\$ <u>34,079</u>	\$ <u>674,726</u>	\$ <u>156,022</u>	\$ <u>141,591</u>	\$ <u>1,006,418</u>	\$ <u>192,150</u>	\$ <u>2,375,315</u>