

WEST SIDE CATHOLIC CENTER

FINANCIAL REPORT

DECEMBER 31, 2018 and 2017

WEST SIDE CATHOLIC CENTER

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Independent Auditors' Report

Board of Directors
West Side Catholic Center
Cleveland, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of West Side Catholic Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 West Side Catholic Center as of December 31, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019 on our consideration of West Side Catholic Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West Side Catholic Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Side Catholic Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Meloney + Novotny LLC".

Cleveland, Ohio
February 15, 2019

WEST SIDE CATHOLIC CENTER

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 770,974	\$ 957,720
Funds held in trust	17,383	26,166
Receivables:		
Pledges receivable - net	72,714	187,143
Grants receivable	339,323	111,973
Other receivable	10,000	41,794
Prepaid expenses and other assets	27,822	17,002
Investments - non-endowed	294,395	892,302
Investments - endowed	1,941,069	2,317,159
Property and equipment - net	<u>3,688,389</u>	<u>3,001,570</u>
TOTAL ASSETS	<u>\$ 7,162,069</u>	<u>\$ 7,552,829</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,388	\$ 266,167
Accrued liabilities and other	55,348	89,440
Funds held in trust	17,383	26,166
Forgivable loan payable	<u>114,512</u>	<u>128,826</u>
TOTAL LIABILITIES	196,631	510,599
 NET ASSETS		
Without donor restrictions	4,687,501	4,461,685
With donor restrictions	<u>2,277,937</u>	<u>2,580,545</u>
TOTAL NET ASSETS	<u>6,965,438</u>	<u>7,042,230</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,162,069</u>	<u>\$ 7,552,829</u>

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

WEST SIDE CATHOLIC CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 998,948	\$ 20,100	\$ 1,019,048
Special event - net of \$90,033 in direct expenses	259,539		259,539
United Way contributions	209,049		209,049
Grants	1,276,273	372,000	1,648,273
Net realized and unrealized losses on investments	(21,648)	(91,504)	(113,152)
Investment income, net	11,603	30,780	42,383
Other income	51,399		51,399
Loss on acquisition	<u>(104,000)</u>		<u>(104,000)</u>
Total revenues	2,681,163	331,376	3,012,539
Net assets released from restrictions	<u>633,984</u>	<u>(633,984)</u>	<u>-</u>
	3,315,147	(302,608)	3,012,539
EXPENSES			
Program services:			
Center	718,275		718,275
Shelter	797,255		797,255
Economic Opportunity	264,599		264,599
Housing	<u>1,063,874</u>		<u>1,063,874</u>
Total program services	2,844,003		2,844,003
Support services:			
General and administrative	114,294		114,294
Fundraising	<u>131,034</u>		<u>131,034</u>
Total support services	<u>245,328</u>		<u>245,328</u>
Total expenses	<u>3,089,331</u>		<u>3,089,331</u>
CHANGES IN NET ASSETS	225,816	(302,608)	(76,792)
NET ASSETS AT BEGINNING OF YEAR	<u>4,461,685</u>	<u>2,580,545</u>	<u>7,042,230</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,687,501</u>	<u>\$ 2,277,937</u>	<u>\$ 6,965,438</u>

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

WEST SIDE CATHOLIC CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 850,747	\$ 20,575	\$ 871,322
Special event - net of \$72,570 in direct expenses	218,578		218,578
United Way contributions	171,151		171,151
Grants	1,287,206	120,019	1,407,225
Net realized and unrealized gains on investments	49,996	209,406	259,402
Investment income, net	12,324	34,255	46,579
Other income	88,157		88,157
Total revenues	2,678,159	384,255	3,062,414
Net assets released from restrictions	1,439,136	(1,439,136)	-
	4,117,295	(1,054,881)	3,062,414
EXPENSES			
Program services:			
Center	647,069		647,069
Shelter	756,602		756,602
Economic Opportunity	198,922		198,922
Housing	950,595		950,595
Total program services	2,553,188		2,553,188
Support services:			
General and administrative	120,751		120,751
Fundraising	201,739		201,739
Total support services	322,490		322,490
Total expenses	2,875,678		2,875,678
CHANGES IN NET ASSETS BEFORE CAPITAL CAMPAIGN ACTIVITY	1,241,617	(1,054,881)	186,736
CAPITAL CAMPAIGN ACTIVITY			
Individual contributions		54,924	54,924
Capital Campaign expenses		(1,944)	(1,944)
Total Capital Campaign activity		52,980	52,980
CHANGES IN NET ASSETS	1,241,617	(1,001,901)	239,716
NET ASSETS AT BEGINNING OF YEAR	3,220,068	3,582,446	6,802,514
NET ASSETS AT END OF YEAR	<u>\$ 4,461,685</u>	<u>\$ 2,580,545</u>	<u>\$ 7,042,230</u>

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

WEST SIDE CATHOLIC CENTER
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Center	Shelter	Economic Opportunity	Housing	General and Administrative	Fundraising	Total
OPERATING EXPENSE							
Wages and benefits:							
Wage	\$ 352,893	\$ 474,261	\$ 179,449	\$ 407,041	\$ 53,191	\$ 75,282	\$ 1,542,117
Benefits	<u>62,981</u>	<u>128,499</u>	<u>35,486</u>	<u>89,367</u>	<u>11,958</u>	<u>13,386</u>	<u>341,677</u>
Total wages and benefits	415,874	602,760	214,935	496,408	65,149	88,668	1,883,794
Direct client expenses:							
Food and beverage	61,578	45,119					106,697
Kitchen supplies	3,348	1,634	298				5,280
Program expense	16,980	5,920	1,079	4,260	335		28,574
Rent subsidy - Zacchaeus				462,114			462,114
Client assistance	<u>25,351</u>	<u>6,568</u>	<u>2,337</u>	<u>4,770</u>	<u>705</u>		<u>39,731</u>
Total direct client expenses	107,257	59,241	3,714	471,144	1,040		642,396
Occupancy:							
Utilities	19,079	25,409	4,951	11,517	4,744	3,154	68,854
Security	29,844	1,421	320	64	258		31,907
Insurance	8,021	3,506	382	2,198	610	253	14,970
Building maintenance	<u>44,912</u>	<u>26,229</u>	<u>3,005</u>	<u>364</u>	<u>608</u>		<u>75,118</u>
Total occupancy	101,856	56,565	8,658	14,143	6,220	3,407	190,849
General and administrative costs:							
Professional fees	2,700	5,265	1,620	2,700	540	675	13,500
Computer expenses	7,511	16,607	5,723	16,214	15,028	10,523	71,606
Other administrative costs	<u>27,799</u>	<u>12,627</u>	<u>8,795</u>	<u>43,007</u>	<u>6,402</u>	<u>2,401</u>	<u>101,031</u>
Total general and administrative costs	38,010	34,499	16,138	61,921	21,970	13,599	186,137
Advertising and marketing:							
Postage					4,728	5,532	10,260
Printing	1,680	904	557	642	64	8,185	12,032
Marketing					449	2,398	2,847
Total advertising and marketing	<u>1,680</u>	<u>904</u>	<u>557</u>	<u>642</u>	<u>5,241</u>	<u>16,115</u>	<u>25,139</u>
Total expenses before depreciation	664,677	753,969	244,002	1,044,258	99,620	121,789	2,928,315
Depreciation	<u>53,598</u>	<u>43,286</u>	<u>20,597</u>	<u>19,616</u>	<u>14,674</u>	<u>9,245</u>	<u>161,016</u>
Total expense	<u>\$ 718,275</u>	<u>\$ 797,255</u>	<u>\$ 264,599</u>	<u>\$ 1,063,874</u>	<u>\$ 114,294</u>	<u>\$ 131,034</u>	<u>\$ 3,089,331</u>

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

WEST SIDE CATHOLIC CENTER
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Center	Shelter	Economic Opportunity	Housing	General and Administrative	Fundraising	Total
OPERATING EXPENSE							
Wages and benefits:							
Wages	\$ 335,191	\$ 458,333	\$ 140,619	\$ 368,171	\$ 56,036	\$ 110,689	\$ 1,469,039
Benefits	<u>69,150</u>	<u>127,203</u>	<u>29,586</u>	<u>91,405</u>	<u>11,708</u>	<u>21,049</u>	<u>350,101</u>
Total wages and benefits	404,341	585,536	170,205	459,576	67,744	131,738	1,819,140
Direct client expenses:							
Food and beverage	62,699	46,702					109,401
Kitchen supplies	3,531	1,893		144			5,568
Program expense	7,986	6,175	1,425	7,616	5,743	84	29,029
Rent subsidy - Zacchaeus				399,472			399,472
Client assistance	<u>21,859</u>	<u>3,983</u>	<u>1,985</u>	<u>3,300</u>			<u>31,127</u>
Total direct client expenses	96,075	58,753	3,410	410,532	5,743	84	574,597
Occupancy:							
Utilities	24,093	28,887	1,706	8,317	3,998	4,357	71,358
Security	31,557	1,474	24	296	76	97	33,524
Insurance	1,486	2,216	322	1,820	302	234	6,380
Building maintenance	<u>32,841</u>	<u>20,333</u>		<u>2,899</u>	<u>279</u>	<u>21</u>	<u>56,373</u>
Total occupancy	89,977	52,910	2,052	13,332	4,655	4,709	167,635
General and administrative costs:							
Professional fees	4,900	5,265	1,620	500	540	675	13,500
Computer expenses	6,030	11,583	3,564	8,340	17,293	14,715	61,525
Other administrative costs	<u>8,898</u>	<u>5,049</u>	<u>1,564</u>	<u>41,630</u>	<u>11,008</u>	<u>3,997</u>	<u>72,146</u>
Total general and administrative costs	19,828	21,897	6,748	50,470	28,841	19,387	147,171
Advertising and marketing:							
Postage					5,985	6,880	12,865
Printing				211	227	18,207	18,645
Marketing	<u>175</u>			<u>42</u>	<u>695</u>	<u>9,872</u>	<u>10,784</u>
Total advertising and marketing	175			253	6,907	34,959	42,294
Total expenses before depreciation	610,396	719,096	182,415	934,163	113,890	190,877	2,750,837
Depreciation	<u>36,673</u>	<u>37,506</u>	<u>16,507</u>	<u>16,432</u>	<u>6,861</u>	<u>10,862</u>	<u>124,841</u>
Total expense before Capital Campaign	647,069	756,602	198,922	950,595	120,751	201,739	2,875,678
Capital Campaign						<u>1,944</u>	<u>1,944</u>
Total expense	<u>\$ 647,069</u>	<u>\$ 756,602</u>	<u>\$ 198,922</u>	<u>\$ 950,595</u>	<u>\$ 120,751</u>	<u>\$ 203,683</u>	<u>\$ 2,877,622</u>

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

WEST SIDE CATHOLIC CENTER

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (76,792)	\$ 239,716
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	161,016	124,841
Net realized and unrealized loss (gain) on investments	113,152	(259,402)
Forgiveness of loan	(14,314)	(14,314)
Loss on acquisition	104,000	-
Contributions restricted for investments in plant	(285,380)	(54,924)
Changes in operating assets and liabilities:		
Pledges receivable	114,429	335,281
Grants receivable	(227,350)	(44,024)
Other receivable	31,794	(27,173)
Prepaid expenses and other assets	(10,820)	1,872
Accounts payable	(256,779)	262,842
Accrued liabilities and other	(34,092)	50,157
Total adjustments	<u>(304,344)</u>	<u>375,156</u>
Net cash (used in) provided by operating activities	(381,136)	614,872
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(951,835)	(1,179,640)
Proceeds from investments	1,111,665	520,220
Purchases of investments	(250,820)	(116,525)
Proceeds from contributions restricted for investments in plant	<u>285,380</u>	<u>54,924</u>
Net cash used in investing activities	194,390	(721,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>35,747</u>
Net decrease in cash and cash equivalents	(186,746)	(70,402)
Cash and cash equivalents at beginning of year	<u>957,720</u>	<u>1,028,122</u>
Cash and cash equivalents at end of year	<u>\$ 770,974</u>	<u>\$ 957,720</u>

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

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Nature of Activities – West Side Catholic Center (Organization) provides various services to low-income persons in Cuyahoga County, Ohio. The Organization's sources of revenues are derived principally from grants, public contributions, and the United Way.
- B. Basis of Accounting – The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.
- C. Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. This category includes net assets designated by the Board for endowment. At December 31, 2018 and 2017, board-designated net assets were \$127,946 and \$443,312, respectively.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

- D. Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- E. Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents exclude any cash or cash equivalents maintained in a professional investment account. The Organization's cash balances may exceed the insured amount from time to time.
- F. Funds Held in Trust – The Organization is a member of the Identification Crisis in Cleveland Collaboration (the Collaboration) which was formed to address a major obstacle for people that are poor - the inaccessibility of their own birth certificates and state identification. The Collaboration was formed by seven different agencies and churches, including the West Side Catholic Center. The Organization, being the fiduciary of these funds, reports these amounts as an asset and a liability in its statements of financial position. The funds held in trust were \$17,383 and \$26,166 at December 31, 2018 and 2017, respectively.

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- G. Pledges and Grants Receivable – Pledges receivable represent unconditional promises to give from an individual donor. Grants receivable represent unconditional promises to give from government agencies for reimbursement of contracts and grants and the United Way. Pledges and grants receivable expected to be collected within one year are recorded at net realizable value. Pledges and grants receivable expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk adjusted discount rate applicable to the years in which the promises are received, which was 5% for 2018 and 2017. At December 31, 2018, pledges representing future contributions receivable in less than one year are \$61,617 and in one to five years are \$11,651. These amounts are before a discount of \$554. At December 31, 2018 and 2017, grants receivable, due within one year, were \$339,323 and \$111,973, respectively.

Based on management's assessment of collection history with its donors, it has concluded an allowance is not deemed necessary as of December 31, 2018 and 2017.

- H. Property and Equipment – Purchased property and equipment is stated at cost. Donated property and equipment is stated at fair value at the time of the donation. All property and equipment is being depreciated on the straight-line basis over the estimated useful lives of the assets, ranging from five to forty years. The Organization's policy is to capitalize assets greater than \$5,000 with a useful life of more than one year. Repairs and maintenance are charged to expense as incurred, whereas the costs of property and equipment additions and improvements are capitalized.
- I. Contributions and Grants – The Organization recognizes revenue in the period in which the pledge or grant (promise to give) is received. Contributions and grants with donor-imposed restrictions that are met in the same period are reported as contributions without donor restriction. Conditional promises to give are not included as contributions until the conditions are substantially met. Reimbursable grants are recognized as without donor restriction support in the period when the related expenditures are made.
- J. Tax Status – The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes.

The Organization is no longer subject to tax examinations for years before 2015 by taxing authorities in jurisdictions where the Organization has filed returns.

The Organization believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that would be material to the financial statements.

- K. Fair Value Measurements – The carrying values of cash and equivalents, grants and other receivable, accounts payable, and funds held in trust approximate fair value because of the short maturity of these financial instruments. The carrying value of pledges receivable approximates fair value due to the Organization's methodology of calculating the discount for outstanding pledges. Financial and nonfinancial assets and liabilities are required to be measured on an annual basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Fair Value Measurements (Continued)

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not sufficiently active to qualify as Level 1, other observable inputs, or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

The carrying value of the Organization's investments approximates fair value in accordance with accounting principles generally accepted in the United States of America and is summarized below:

	Fair Value Total	Level 1	Level 2
<u>December 31, 2018:</u>			
Money market funds	\$ 292,684	\$ -	\$ 292,684
Equity mutual funds	1,090,660	1,090,660	-
Fixed income mutual funds	<u>852,120</u>	<u>852,120</u>	<u>-</u>
	<u>\$ 2,235,464</u>	<u>\$ 1,942,780</u>	<u>\$ 292,684</u>
	Fair Value Total	Level 1	Level 2
<u>December 31, 2017:</u>			
Money market funds	\$ 892,497	\$ -	\$ 892,497
Equity mutual funds	1,526,241	1,526,241	-
Fixed income mutual funds	<u>790,723</u>	<u>790,723</u>	<u>-</u>
	<u>\$ 3,209,461</u>	<u>\$ 2,316,964</u>	<u>\$ 892,497</u>

The Organization's investments consist of marketable equity and fixed income mutual funds, with quoted prices in active markets, and are considered to be Level 1 inputs. The money market funds are valued at \$1 per share, as quoted by the fund managers, and are classified as Level 2 inputs. There have been no changes in the methodologies used as of December 31, 2018 and 2017.

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Fair Value Measurements (Continued)

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. 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 as of the reporting date.

L. Donated Services and Materials – A substantial number of unpaid volunteers have donated a significant amount of time to the Organization's program services and fundraising campaigns. However, these services are not reflected in the financial statements since the services did not require specialized skills.

M. Functional Allocation of Expenses – The cost of providing various programs and supporting services has been summarized on a functional basis in the statements of activities. Certain categories of expense are attributable to one or more program or supporting functions of the Organization. Those expenses include some wages and benefits which are allocated based on estimates of time and effort and some general and administrative costs which are allocated based on program size.

N. Change in Accounting Principle – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the provisions of this new standard during the year ended December 31, 2018 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

O. Reclassifications – Certain prior year revenue items have been reclassified. This reclassification had no effect on the prior year's net assets or change in net assets.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 770,974	\$ 957,720
Investments - non-endowed	<u>294,395</u>	<u>892,302</u>
	<u>\$ 1,065,369</u>	<u>\$ 1,850,022</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Donor-restricted endowment funds are not available for general expenditure.

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability (Continued)

The Organization's board-designated endowment which is not included in the table above has a balance of \$127,946 as described in Note 3. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following two guiding principles: maintaining adequate liquid assets to fund three months of operating needs and maintaining sufficient reserves to provide reasonable assurance that future opportunities of a long-term nature can be acted upon. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity and reserves monthly.

Note 3. Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.

Interpretations of Relevant Law

The Board of Directors of the Organization interprets the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require consideration of the several factors, if relevant, in making management and investment decisions for donor-restricted endowment funds. These factors include general economic conditions, possible effect of inflation or deflation, tax consequences of investment strategies, other resources of the institution, and value to the Organization's charitable purpose. Absent explicit donor stipulation to the contrary, the Organization shall classify as donor-restricted net assets the original value of the gifts donated to the endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results with a targeted annual return to exceed the rate of inflation by 1% to 2% on a rolling five year term, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a balanced portfolio to achieve its long-term return objectives within prudent risk constraints.

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment (Continued)

Spending Policy

A board restricted cash account has been established. It is restricted in purpose to those activities that the Board of Directors specifically votes to support and is to be segregated from the general operating funds of the Organization and invested in a cash management account that is liquid and free from risk of significant loss. An amount equal to 3% of the Organization's average endowment portfolio is transferred annually to the restricted cash account provided that such transfer does not cause the balance in the restricted cash account to exceed \$200,000. Should the annual transfer from the endowment portfolio cause the board restricted cash account to exceed \$200,000, the amount by which the annual transfer would cause the board restricted cash account to exceed \$200,000 would be retained in the Organization's endowment portfolio, unless specific action directing otherwise is taken by the Board of Directors. The Organization's average endowment portfolio is measured as the average month end balance of the endowment portfolio for each of the twelve months immediately preceding the Organization's year end.

The spending policy is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held, in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment fund	\$ 127,946	\$ -	\$ 127,946
Donor-restricted endowment funds:			
Corpus	-	994,050	994,050
Earnings on endowment	-	819,073	819,073
	<u>\$ 127,946</u>	<u>\$ 1,813,123</u>	<u>\$ 1,941,069</u>

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 443,312	\$ 1,873,847	\$ 2,317,159
Investment return:			
Investment income	7,282	30,780	38,062
Net depreciation (realized and unrealized)	(21,648)	(91,504)	(113,152)
Total investment return	(14,366)	(60,724)	(75,090)
Contributions	20,000	-	20,000
Appropriations	(321,000)	-	(321,000)
Endowment net assets, end of year	<u>\$ 127,946</u>	<u>\$ 1,813,123</u>	<u>\$ 1,941,069</u>

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment (Continued)

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment fund	\$ 443,312	\$ -	\$ 443,312
Donor-restricted endowment funds:			
Corpus	-	994,050	994,050
Earnings on endowment	<u>-</u>	<u>879,797</u>	<u>879,797</u>
	<u>\$ 443,312</u>	<u>\$ 1,873,847</u>	<u>\$ 2,317,159</u>

Changes in endowment net assets for the year ended December 31, 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 385,139	\$ 1,613,167	\$ 1,998,306
Investment return:			
Investment income	8,177	34,255	42,432
Net appreciation (realized and unrealized)	<u>49,996</u>	<u>209,406</u>	<u>259,402</u>
Total investment return	58,173	243,661	301,834
Transfers	<u>-</u>	<u>17,019</u>	<u>17,019</u>
Endowment net assets, end of year	<u>\$ 443,312</u>	<u>\$ 1,873,847</u>	<u>\$ 2,317,159</u>

Note 4. Property and Equipment

Property and equipment is summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Land and improvement	\$ 131,820	\$ 131,820
Buildings	1,104,853	809,853
Building improvement	3,579,512	1,911,556
Equipment	142,207	133,992
Vehicles	25,065	25,065
Furniture and fixtures	33,745	33,745
Software	29,119	29,119
Construction in process	<u>-</u>	<u>1,123,336</u>
Total costs	5,046,321	4,198,486
Accumulated depreciation	<u>(1,357,932)</u>	<u>(1,196,916)</u>
	<u>\$ 3,688,389</u>	<u>\$ 3,001,570</u>

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Property and Equipment (Continued)

Depreciation expense was \$161,016 and \$124,841 for the years ended December 31, 2018 and 2017, respectively.

Note 5. Line of Credit

The Organization has a demand line of credit with maximum borrowings of \$150,000 through a bank at December 31, 2018 and 2017. The line of credit bears interest at the prime rate of interest (5.5% at December 31, 2018) plus 1%. The line of credit is collateralized by all personal property of the Organization. There were no amounts outstanding on the line of credit at December 31, 2018 and 2017.

Note 6. Forgivable Loan

The Organization has accepted the conditions of a \$143,140 Capital Funding to End Homelessness Initiative Repair Program commitment dated August 10, 2015 from the Ohio Housing Finance Agency. This is a forgivable loan, provided that the Organization renovates and maintains its emergency shelter. The loan will be reduced by 10% for each full year that the property is maintained in accordance with the terms and conditions of the loan agreement and fully forgiven in ten years. The loan term is ten years, at a fixed annual interest rate of 0%, with deferred interest and principal payments. Loan funds will be disbursed to the Organization as reimbursement for construction expenses. During 2017, the forgiveness period started and will continue for the remaining nine years. As of December 31, 2018 and 2017, the balance on the loan was \$114,512 and \$128,826, respectively.

Note 7. With Donor Restriction Net Assets

With donor restriction net assets were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ 72,714	\$ 583,123
Housing program	105,000	-
Shelter program	192,000	11,000
Economic opportunities	85,100	41,000
Center programs	10,000	71,575
Endowment earnings	819,073	879,797
Endowment principal	<u>994,050</u>	<u>994,050</u>
	<u>\$ 2,277,937</u>	<u>\$ 2,580,545</u>

With donor restriction net assets of \$663,984 and \$1,439,136 were released in 2018 and 2017, respectively. Net assets released from restrictions relate primarily to Capital Campaign (building renovations), as well as operating and program purposes.

WEST SIDE CATHOLIC CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Pension Plan

The Organization has a defined contribution plan that provides benefits to eligible participants as determined according to the provisions of the plan agreement. Employer contributions were \$14,742 and \$16,767 for the years ended December 31, 2018 and 2017, respectively.

Note 9. Building Purchase and Loss on Acquisition

On March 1, 2018, the Organization purchased the property neighboring the shelter located at 3221-3223 Lorain Ave. for a total sale price of \$407,500. This price included ownership of the building for a total of \$295,000 and the operations of Ohio City Pizzeria, Inc. for \$112,500. At the time of the purchase, \$104,000 of the Ohio City Pizzeria, Inc. sale price was allocated to goodwill. However, this goodwill was determined to be impaired as of December 31, 2018 and was written off as a loss on acquisition.

Note 10. Subsequent Events

Subsequent events have been evaluated through February 15, 2019, which is the date the financial statements were available to be issued.

WEST SIDE CATHOLIC CENTER
UNIFORM GUIDANCE AUDIT REQUIREMENTS

WEST SIDE CATHOLIC CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing & Urban Development			
Continuum of Care Program	14.267		\$ 583,650
U.S. Department of Housing & Urban Development passed through Cuyahoga County			
Continuum of Care Program - Rapid Re-housing for Families	14.267	\$ 36,716	<u>107,072</u>
Total Continuum of Care Program			<u>690,722</u>
U.S. Department of Housing & Urban Development passed through City of Cleveland Department of Development			
Emergency Solutions Grant Program	14.231		62,391
U.S. Department of Housing & Urban Development passed through Cuyahoga County			
Emergency Solutions Grant Program	14.231		<u>49,997</u>
Total Emergency Solutions Grant Program			<u>112,388</u>
U.S. Department of Agriculture passed through the Ohio Department of Education			
Child and Adult Care Food Program	10.558		28,904
Emergency Food and Shelter Board passed through Cuyahoga County			
Emergency Food and Shelter Program	97.024		32,568
U.S. Department of Veterans Affairs			
Veterans Special Needs Program	64.024		<u>84,896</u>
Total Expenditures of Federal Awards			<u>\$ 949,478</u>

The accompanying notes are an integral part of this schedule.

WEST SIDE CATHOLIC CENTER

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of West Side Catholic Center under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of West Side Catholic Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Side Catholic Center.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited in reimbursement.

Note 3. Indirect Cost Rate

West Side Catholic Center has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
West Side Catholic Center
Cleveland, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Side Catholic Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Side Catholic Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Side Catholic Center's internal control. Accordingly, we do not express an opinion on the effectiveness of West Side Catholic Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Side Catholic Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West Side Catholic Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Side Catholic Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cleveland, Ohio
February 15, 2019

Independent Auditors' Report on Compliance for the Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
West Side Catholic Center
Cleveland, Ohio

Report on Compliance for the Major Federal Program

We have audited West Side Catholic Center's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on West Side Catholic Center's major federal program for the year ended December 31, 2018. West Side Catholic Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the West Side Catholic Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Side Catholic Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of West Side Catholic Center's compliance.

Independent Auditors' Report on Compliance for the Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance (Continued)

Opinion on Each Major Federal Program

In our opinion, West Side Catholic Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of West Side Catholic Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Side Catholic Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for West Side Catholic Center's major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Side Catholic Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cleveland, Ohio
February 15, 2019

WEST SIDE CATHOLIC CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.267

Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as a low risk auditee?

 X yes _____ no

WEST SIDE CATHOLIC CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended December 31, 2018

Section II - Financial Statement Findings

No findings were noted.

Section III - Federal Award Findings and Questioned Costs

No findings were noted.