

**TOLEDO COMMUNITY SERVICE CENTER
dba FAMILY HOUSE**

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Toledo Community Service Center
dba Family House

We have audited the accompanying financial statements of Toledo Community Service Center dba Family House (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toledo Community Service Center dba Family House as of June 30, 2017 and 2016, 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.

DeMarco & Associates CPAs, LLC

Perrysburg, Ohio
January 25, 2018

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	2017	2016
Assets		
Cash	\$ 62,354	\$ 53,137
Grants receivable	70,285	81,041
Prepaid insurance	21,722	19,776
Total current liabilities	154,361	153,954
Net property and equipment	281,409	78,697
Total assets	\$ 435,770	\$ 232,651

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 3,883	\$ 4,692
Accrued wages and vacation	13,737	11,120
Payroll taxes withheld and accrued	391	600
Total current liabilities	18,011	16,412
Long-term debt/mortgage and security agreements	286,085	7,030
Total liabilities	304,096	23,442
Net assets		
Unrestricted	98,393	207,318
Temporarily restricted	33,281	1,891
Total net assets	131,674	209,209
Total liabilities and net assets	\$ 435,770	\$ 232,651

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

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
STATEMENTS OF ACTIVITIES
Years ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Totals</u>
Support and revenue			
Grants and contracts	\$ 275,826	\$ 220,115	\$ 495,941
Contributions	101,326	11,279	112,605
Fundraising	25,744	-	25,744
Interest	48	-	48
In-kind donations	325,719	-	325,719
Net assets released from restrictions	<u>200,004</u>	<u>(200,004)</u>	<u>-</u>
 Total support and revenue	 928,667	 31,390	 960,057
Expenses			
Program	895,051	-	895,051
Fundraising	16,849	-	16,849
Management and general	<u>125,692</u>	<u>-</u>	<u>125,692</u>
 Total expenses	 <u>1,037,592</u>	 <u>-</u>	 <u>1,037,592</u>
 Change in net assets	 (108,925)	 31,390	 (77,535)
 Net assets beginning of year	 <u>207,318</u>	 <u>1,891</u>	 <u>209,209</u>
 Net assets end of year	 <u>\$ 98,393</u>	 <u>\$ 33,281</u>	 <u>\$ 131,674</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>
Support and revenue			
Grants and contracts	\$ 260,958	\$ 117,395	\$ 378,353
Contributions	100,832	12,304	113,136
Fundraising	28,113	-	28,113
Interest	59	-	59
In-kind donations	290,101	-	290,101
Net assets released from restrictions	<u>152,896</u>	<u>(152,896)</u>	<u>-</u>
Total support and revenue	832,959	(23,197)	809,762
Expenses			
Program	801,003	-	801,003
Fundraising	22,294	-	22,294
Management and general	<u>107,152</u>	<u>-</u>	<u>107,152</u>
Total expenses	<u>930,449</u>	<u>-</u>	<u>930,449</u>
Change in net assets	(97,490)	(23,197)	(120,687)
Net assets beginning of year	<u>304,808</u>	<u>25,088</u>	<u>329,896</u>
Net assets end of year	<u>\$ 207,318</u>	<u>\$ 1,891</u>	<u>\$ 209,209</u>

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

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2017 and 2016

	Program Services	Fundraising	Management and General	2017 Totals
Salaries and wages	\$ 314,063	\$ 9,879	\$ 66,335	\$ 390,277
Employee fringe benefits and taxes	87,418	2,757	18,506	108,681
Insurance - general	13,581	-	3,193	16,774
Rent - in kind	48,242	-	11,338	59,580
Utilities	29,558	-	6,946	36,504
Office supplies	3,421	-	778	4,199
Printing	2,383	-	561	2,944
Supplies	33,873	-	-	33,873
Professional services	27,793	-	2,910	30,703
Staff development	240	-	55	295
Repairs and maintenance	42,028	-	9,883	51,911
Travel	2,775	-	651	3,426
Telephone	2,642	-	623	3,265
Supplies - contributed	266,139	-	-	266,139
Security	2,203	-	517	2,720
Membership dues	2,305	-	66	2,371
Lease expense	1,824	-	429	2,253
Fundraising	-	4,213	-	4,213
Miscellaneous	5,423	-	1,273	6,696
Total expenses before depreciation	885,911	16,849	124,064	1,026,824
Depreciation	9,140	-	1,628	10,768
Total expenses	\$ 895,051	\$ 16,849	\$ 125,692	\$ 1,037,592

	Program Services	Fundraising	Management and General	2016 Totals
Salaries and wages	\$ 289,898	\$ 9,119	\$ 61,231	\$ 360,248
Employee fringe benefits and taxes	84,284	2,658	17,843	104,785
Insurance - general	10,727	-	2,522	13,249
Rent - in kind	48,242	-	11,338	59,580
Utilities	22,740	-	5,344	28,084
Office supplies	3,556	-	809	4,365
Printing	259	-	61	320
Supplies	64,898	-	-	64,898
Professional services	17,907	-	1,875	19,782
Staff development	670	-	155	825
Repairs and maintenance	2,879	-	677	3,556
Travel	3,455	-	811	4,266
Telephone	2,336	-	551	2,887
Supplies - contributed	230,521	-	-	230,521
Security	2,343	-	550	2,893
Membership dues	2,151	-	62	2,213
Lease expense	2,518	-	593	3,111
Fundraising	-	10,517	-	10,517
Miscellaneous	4,694	-	1,102	5,796
Total expenses before depreciation	794,078	22,294	105,524	921,896
Depreciation	6,925	-	1,628	8,553
Total expenses	\$ 801,003	\$ 22,294	\$ 107,152	\$ 930,449

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

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (77,535)	\$ (120,687)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	10,768	8,553
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	10,756	85,307
Prepaid insurance	(1,946)	(2,529)
Deposits	-	990
Increase (decrease) in:		
Accounts payable	(809)	(1,087)
Accrued wages and vacation	2,617	3,223
Payroll taxes withheld and accrued	(209)	(586)
Net cash used in operating activities	<u>(56,358)</u>	<u>(26,816)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(213,480)</u>	<u>(10,146)</u>
Net cash used in investing activities	<u>(213,480)</u>	<u>(10,146)</u>
Cash flows from financing activities		
Borrowings on long-term debt/mortgage and security agreements	<u>279,055</u>	<u>7,030</u>
Net cash provided by financing activities	<u>279,055</u>	<u>7,030</u>
Net increase (decrease) in cash	9,217	(29,932)
Cash at beginning of year	<u>53,137</u>	<u>83,069</u>
Cash at end of year	<u>\$ 62,354</u>	<u>\$ 53,137</u>

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

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

Note A – Significant accounting policies

Nature of operations

Toledo Community Service Center dba Family House (the "Center") provides temporary shelter and food to the homeless. The Center also provides a variety of services including case management as well as assistance in locating permanent homes. The majority of funds for the operations are received from city, state, and federal government agencies.

Basis of presentation

The Center's financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents

The Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Property and equipment

The Center capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are carried at cost and include the cost of improvements, if any, which have materially added to the capacity or extended the useful life of the asset. Depreciation is provided over the estimated useful lives of the assets by application of the straight-line method. The useful lives of leasehold improvements is 27.5 years; the useful lives of fixtures and equipment range from 7 to 10 years.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and support services benefited. Although considered appropriate, other methods of allocation could be used that would produce different results.

Income taxes

The Internal Revenue Service has determined that the Center is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the Center is publicly supported. As a result, no provision for federal or state income taxes has been made.

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

Note A – Significant accounting policies (continued)

Income taxes - continued

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including the year ended June 30, 2014 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Center does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The Center is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Contributed facilities and supplies

Donations of supplies are recorded as in-kind donations at their estimated fair value at the date of donation. The City of Toledo provides use of operating facilities to the Center in exchange for annual rent in the amount of one dollar (\$1), which is not fair value. The use of the operating facilities has been included as in-kind donations and rent in-kind in the statement of activities at its fair value.

Classes of net assets

A description of the Center's net asset categories is as follows:

Unrestricted net assets - are those currently available for use in the activities of the Center under the direction of the board.

Temporarily restricted net assets - are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment; or those not currently available for use until commitment regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

Permanently restricted net assets - are those contributed with donor stipulations that they be held in perpetuity with the use of income for unrestricted or temporarily restricted purposes. At June 30, 2017 and 2016, no permanently restricted net assets were maintained.

Subsequent events

Subsequent events were evaluated through January 25, 2018, the date the financial statements were available to be issued.

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

Note B – Retirement plan

Prior to September 1, 2014 the Center offered eligible employees to participate in a noncontributory 403(b) plan of the Mutual of America Life Insurance Company, upon completion of one year of service and the attainment of age twenty-one. The plan provided benefits to participants upon their retirement, disability or death. The Center's contributions to the plan were based upon wages and were made through the United Way of Greater Toledo.

During fiscal year 2015, the Center established a SIMPLE IRA Plan covering all eligible employees. The Center makes a matching contribution equal to the employees' contribution up to a limit of 3% of the employees' compensation for the calendar year.

Nine former employees are covered under a multi-employer defined benefit pension plan administered by the United Way of Greater Toledo. The accumulated plan benefits and plan net assets attributable to the Center's employees under the plan are not readily determinable. As of December 31, 2003, this plan was frozen and the accrual of benefits ceased. Pension contributions in the amount of \$5,139 and \$5,099 were made during 2017 and 2016, respectively, in order to fulfill the minimum funding requirements. For the year ending June 30, 2018, the pension contribution is expected to be approximately \$5,233.

Expenses related to these plans totaled \$11,984 and \$11,977 for the years ended June 30, 2017 and 2016, respectively, and are reflected in employee fringe benefits in the statements of functional expenses.

Note C – Property and equipment

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Leasehold improvements	\$ 482,148	\$ 268,667
Furniture and fixtures and other depreciable property	69,707	69,707
Vehicles	14,419	14,419
Total	566,274	352,793
Less accumulated depreciation	284,865	\$274,096.00
Net property and equipment	\$ 281,409	\$ 78,697

Depreciation expense for the years ended June 30, 2017 and 2016 was \$10,768 and \$8,553, respectively.

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

Note D – Long-term debt/mortgage and security agreements

The Center has entered into two mortgages and security agreements with Ohio Housing Finance Agency (“OHFA”) for monies to complete minor repairs and renovations to the building the Center operates from. As a condition of these OHFA funds, the Center, entered into restrictive covenants on the property that the repairs and renovations are being completed (see below).

Long-term debt at June 30, 2017 and 2016 consisted of the following:

	2017	2016
<p>Mortgage and security agreement with Ohio Housing Finance Agency for maximum loan borrowings of \$164,691, 0.00% interest, principal reduced by 10% each year The Center maintains facility they operate from in accordance with terms and conditions of grant agreement. Payments to begin one year after project is completed and all funds have been drawn on grant/contract with final payment July, 2025 or last day of project completion August 1, 2027.</p>	\$ 164,691	\$ 7,030
<p>Mortgage and security agreement with Ohio Housing Finance Agency for maximum loan borrowings of \$209,174, 0.00% interest, principal reduced by 10% each year The Center maintains facility they operate from in accordance with terms and conditions of grant agreement. Payments to begin one year after project is completed and all funds have been drawn on grant/contract with final payment December 1, 2025 or last day of project completion October 1, 2028.</p>	<p style="margin: 0;">121,394</p> <hr style="width: 100%; border: 0.5px solid black;"/> <p style="margin: 0;">286,085</p>	<p style="margin: 0;">-</p> <hr style="width: 100%; border: 0.5px solid black;"/> <p style="margin: 0;">7,030</p>
<p>Less current maturities</p>	-	-
<p>Total long-term debt/mortgages and security agreements</p>	<hr style="width: 100%; border: 0.5px solid black;"/> <p style="margin: 0;">\$ 286,085</p>	<hr style="width: 100%; border: 0.5px solid black;"/> <p style="margin: 0;">\$ 7,030</p>

TOLEDO COMMUNITY SERVICE CENTER dba FAMILY HOUSE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2016

Note D – Long-term debt/mortgage and security agreements (continued)

Maturities are as follows:

Years Ending June 30,	Amount
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	286,085
	<u>\$ 286,085</u>

Note E – Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	2017	2016
Shelter services	\$ 33,281	\$ 1,584
Sign for building	-	307
Total	<u>\$ 33,281</u>	<u>\$ 1,891</u>

Note F – Leases

As mentioned in Note A, the City of Toledo provides use of operating facilities to the Center in exchange for annual rent in the amount of one dollar (\$1) under an operating lease agreement. This lease was renewed in March 2013 and will expire in April 2018. Future payments related to this lease are \$1 each year through 2018.

MEMORANDUM

TO:	Family House
FROM:	Leslie A. DeMarco, CPA, CFE & Jerilyn J. Main, CPA
DATE:	02/12/18
SUBJECT:	Capitalization of Fixed Assets

In accordance with Generally Accepted Accounting Principles, when an organization incurs costs, they can either “capitalize” those costs or “expense” them. Capitalizing a costs means converting the cost to an asset on the balance sheet and depreciating/expensing the cost over a period of time. This is typically done for costs over a particular dollar amount per the organization’s policies and that the costs will provide the organization a benefit over a period of time, not just in the current period the cost is incurred.

Family House’s policy is to capitalize ALL expenditures for property, equipment and leasehold improvements in excess of \$5,000. In accordance with GAAP accounting principles the costs incurred and paid by Family House in the current year for leasehold improvements to the building must be capitalized in accordance with the Organization’s policy. It is irrelevant that the City of Toledo owns the building that the leaseholds were completed to because Family House is the one who paid for the improvements and will be receiving the benefit of the improvements for its residences.