TOLEDO COMMUNITY SERVICE CENTER
dba FAMILY HOUSE

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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DeMarco & Associates llc | Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2020 and 2019, 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, 2020 and 2019, 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
November 19, 2020

TOLEDO COMMUNITY SERVICE CENTER DBA FAMILY HOUSE
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

ASSETS	2020	2019
Assets		
Cash	$ 187,792	$ 52,167
Grants receivable	22,087	48,882
Total current assets	209,879	101,049
Net property and equipment	325,977	333,360
Total assets	$ 535,856	$ 434,409

LIABILITIES AND NET ASSETS	2020	2019
Current liabilities		
Accounts payable	$ 2,435	$ 10,813
Accrued wages	21,005	15,286
Payroll taxes withheld and accrued	177	137
Deferred revenue - SBA PPP loan proceeds	52,751	-
Current portion long-term debt/mortgage and security agreements	37,387	37,387
Total current liabilities	113,755	63,623
Long-term debt/mortgage and security agreements	244,436	281,823
Total liabilities	358,191	345,446
Net assets		
Without donor restrictions		
Undesignated	128,209	85,804
With donor restrictions	49,456	3,159
Total net assets	177,665	88,963
Total liabilities and net assets	$ 535,856	$ 434,409

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, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Totals
Support and revenue			
Grants and contracts	$ 296,934	$ 188,969	$ 485,903
Paycheck Protection Program income forgiveness	29,949	-	29,949
Contributions	151,832	1,417	153,249
Fundraising	50,047	-	50,047
Gain on sale of property and equipment	5,000	-	5,000
In-kind donations	183,909	-	183,909
Net assets released from restrictions	144,089	(144,089)	-
Total support and revenue	861,760	46,297	908,057
Expenses			
Program	689,267	-	689,267
Fundraising	27,252	-	27,252
Management and general	102,836	-	102,836
Total expenses	819,355	-	819,355
Change in net assets	42,405	46,297	88,702
Net assets beginning of year	85,804	3,159	88,963
Net assets end of year	$ 128,209	$ 49,456	$ 177,665

		Without Donor Restrictions		With Donor Restrictions		2019 Totals
Support and revenue						
Grants and contracts	$	325,153	$	167,500	$	492,653
Paycheck Protection Program income forgiveness		-		-		-
Contributions		153,937		2,478		156,415
Fundraising		27,784		-		27,784
Gain on sale of property and equipment		-		-		-
In-kind donations		302,103		-		302,103
Net assets released from restrictions		169,743		(169,743)		-
Total support and revenue		978,720		235		978,955
Expenses						
Program		849,450		-		849,450
Fundraising		38,991		-		38,991
Management and general		117,424		-		117,424
Total expenses		1,005,865		-		1,005,865
Change in net assets		(27,145)		235		(26,910)
Net assets beginning of year		112,949		2,924		115,873
Net assets end of year	$	85,804	$	3,159	$	88,963

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, 2020 and 2019

	Program Services	Fundraising	Management and General	2020 Totals
Salaries and wages	$ 322,734	$ 10,153	$ 68,167	$ 401,054
Employee fringe benefits and taxes	46,661	1,471	9,878	58,010
Insurance - general	12,184	-	2,864	15,048
Rent - in kind	48,647	-	11,433	60,080
Utilities	17,369	-	4,082	21,451
Office supplies	5,213	-	1,186	6,399
Printing	1,295	-	307	1,602
Supplies	9,540	-	-	9,540
Professional services	14,645	-	1,534	16,179
Staff development	965	-	220	1,185
Repairs and maintenance	4,244	-	998	5,242
Travel	149	-	35	184
Telephone	1,484	-	350	1,834
Supplies - contributed	124,329	-	-	124,329
Security	2,303	-	541	2,844
Membership dues	2,344	-	67	2,411
Lease expense	2,506	-	585	3,091
Fundraising	-	3,320	-	3,320
Advertising	-	12,308	-	12,308
Client rents and utilities	57,672	-	-	57,672
Uniforms	25	-	-	25
Miscellaneous	2,513	-	591	3,104
Total expenses before depreciation	676,824	27,252	102,836	806,912
Depreciation	12,443	-	-	12,443
Total expenses	$ 689,267	$ 27,252	$ 102,836	$ 819,355

	Program Services	Fundraising	Management and General	2019 Totals
Salaries and wages	$ 334,225	$ 10,514	$ 70,594	$ 415,333
Employee fringe benefits and taxes	70,981	2,238	15,026	88,245
Insurance - general	15,590	-	3,665	19,255
Rent - in kind	48,242	-	11,338	59,580
Utilities	34,081	-	8,009	42,090
Office supplies	9,447	-	2,149	11,596
Printing	767	-	182	949
Supplies	39,750	-	-	39,750
Professional services	16,521	-	1,730	18,251
Staff development	2,438	-	556	2,994
Repairs and maintenance	6,517	-	1,533	8,050
Travel	1,367	-	321	1,688
Telephone	2,161	-	509	2,670
Supplies - contributed	242,523	-	-	242,523
Security	2,352	-	552	2,904
Membership dues	2,793	-	80	2,873
Lease expense	2,233	-	521	2,754
Fundraising	-	7,736	-	7,736
Advertising	-	18,503	-	18,503
Client rents and utilities	-	-	-	-
Uniforms	1,432	-	-	1,432
Miscellaneous	2,805	-	659	3,464
Total expenses before depreciation	836,225	38,991	117,424	992,640
Depreciation	13,225	-	-	13,225
Total expenses	$ 849,450	$ 38,991	$ 117,424	$ 1,005,865

TOLEDO COMMUNITY SERVICE CENTER DBA FAMILY HOUSE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 88,702	$ (26,910)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,443	13,225
Forgiveness of long-term debt/mortgage and security agreements	(37,387)	(16,469)
Gain on sale of property and equipment	(5,000)	-
Changes in operating assets and liabilities:		
Decrease in:		
Grants receivable	26,795	7,415
Prepaid insurance	-	15,463
Increase (decrease) in:		
Accounts payable	(8,378)	(14,019)
Accrued wages and vacation	5,719	1,410
Payroll taxes withheld and accrued	40	(12)
Change in deferred revenue - SBA PPP loan proceeds	52,751	-
Net cash provided by (used in) operating activities	135,685	(19,897)
Cash flows from investing activities		
Purchases of property and equipment	(5,060)	(37,606)
Proceeds from sale of property and equipment	5,000	-
Net cash used in investing activities	(60)	(37,606)
Cash flows from financing activities		
Borrowings on long-term debt/mortgage and security agreements	-	39,265
Net cash provided by financing activities	-	39,265
Net increase (decrease) in cash	135,625	(18,238)
Cash at beginning of year	52,167	70,405
Cash at end of year	$ 187,792	$ 52,167

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

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.

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, 2017 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. Such donations are reported as support without restrictions unless the donor has restricted the donated asset to a specific purpose. The City of Toledo provides use of operating facilities to the Center in exchange for annual rent in the amount $500, which is not fair value. The use of the operating facilities has been included as in-kind donations and rent in-kind in the statements of activities at its fair value.

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

Net assets without donor restrictions
Net assets that are available for use in general operations and not subject to donor or grantor-imposed restrictions.

Net assets with donor restrictions
Net assets that are subject to donor or 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.

Paycheck Protection Program loan
In May 2020, the Center applied for and received the Paycheck Protection Program (PPP) loan and is accounting for it in accordance with FASB *ASC 958, Not-for-Profit Entities Clarifying the Scope and the accounting Guidance for Contributions Received and Contributions Made* as a conditional contribution whereas the proceeds will not be repaid and will be recognized into income as the funds are spent.

Note A – Significant accounting policies (continued)

Adoption of a new accounting pronouncement
In June 2018, the FASB issued ASU No. 2018-08, *Not-for Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This pronouncement intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The ASU is effective for the Center for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with early adoption permitted. The Center adopted this new pronouncement in its June 30, 2019 financial statements, applying retrospectively to all periods presented. The impact of applying the new guidance at June 30, 2020 was determined to be immaterial. Accordingly, no adjustment to beginning net assets was necessary.

New accounting pronouncements
In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update requires that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right to use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. For lessors, the guidance requires the separation of lease and non-lease components for certain contracts and redefines the scope of non-lease components to include maintenance services. When separated, non-lease components will be accounted for in accordance with revenue recognition guidance (ASC 606). ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to enable a better understanding of the Company's leasing activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and is to be applied retrospectively. As a result of the global pandemic, In May 2020, the FASB voted to defer the effective date for this ASU for private companies and non-profit organizations. The guidance will now be effective for fiscal years beginning after December 15, 2021. The Center is still evaluating the impact this update will have on its financial position and results of operations and related disclosures.

Note B – Liquidity and availability of financial assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position are outlined in the following table. These assets include operating cash and grants receivable, not yet received.

	2020	2019
Cash and cash equivalents	$ 187,792	$ 52,167
Grants receivable	22,087	48,882
Total	$ 209,879	$ 101,049

Note C – 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 $6,037 and $5,751 were made during 2020 and 2019, respectively, in order to fulfill the minimum funding requirements. For the year ending June 30, 2021, the pension contribution is expected to be approximately $6,021.

Expenses related to these plans totaled $12,193 and $10,193 for the years ended June 30, 2020 and 2019, respectively, and are reflected in employee fringe benefits in the statements of functional expenses.

Note D – Property and equipment

Property and equipment at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Leasehold improvements	$ 558,085	$ 558,085
Furniture and fixtures and other depreciable property	72,873	72,873
Vehicles	9,980	14,419
Total	640,938	645,377
Less accumulated depreciation	314,961	312,017
Net property and equipment	$ 325,977	$ 333,360

Depreciation expense for the years ended June 30, 2020 and 2019 was $12,443 and $13,225, respectively.

Note E – 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, 2020 and 2019 consisted of the following:

	2020	2019
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 the facility they operate from in accordance with terms and conditions of grant agreement. Forgiveness 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.	$ 115,284	$ 131,753

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

		2020		2019
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 the facility they operate from in accordance with terms and conditions of grant agreement. Forgiveness 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.		166,539		187,457
		281,823		319,210
Less current maturities		37,387		37,387
Total long-term debt/mortgages and security agreements	$	244,436	$	281,823

Maturities are as follows:

Years Ending June 30,		Amount
2021	$	37,387
2022		37,387
2023		37,387
2024		37,387
2025		37,387
Thereafter		94,888
	$	281,823

Note F – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

		2020		2019
Shelter services	$	4,576	$	3,159
COVID-19		44,880		-
Total net assets with donor restrictions	$	49,456	$	3,159

Note G – Concentrations

During the year ended June 30, 2020, one grantor accounted for approximately 17% of support and revenue. During the year ended June 30, 2019, one grantor accounted for approximately 13% of support and revenue.

Note H – 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 $500 under an operating lease agreement. This lease was renewed in January 2020 and expires in December 2024 with the option to renew for one additional term of five years.

Future minimum lease payments under this lease are as follows:

Years Ending June 30,		Amount
2021	$	500
2022		500
2023		500
2024		500

Note I – Paycheck Protection Program advance

On May 7, 2020, the Center entered into a loan with a bank in the principal amount of $82,700 pursuant to the Paycheck Protection Program (PPP), under the Coronavirus Aid Relief and Economic Security (CARES) Act. The PPP advance is unsecured and guaranteed by the SBA. The Center will apply to the bank for forgiveness of the PPP advance, with the amount which may be forgiven equal to the sum of eligible payroll costs, and other covered costs incurred by the Center as calculated in accordance with the CARES Act. As of June 30, 2020, the Center utilized $29,949 of the proceeds on qualifying payroll costs and has recognized this amount within Paycheck Protection Program Income forgiveness in the accompanying Statements in Changes in Net Assets for the fiscal year ended June 30, 2020. The Center plans to utilize substantially all of the remaining amount on qualifying expenses within the allowable time frame as directed by the SBA. While there can be no guarantee until the Center formally submits an application for forgiveness, the Center believes all amounts spent from the PPP advance will ultimately be forgiven. If the application for forgiveness is denied, the PPP advance would be then treated as a loan and amounts previously recorded into income would be reversed once known. The PPP advance would then bear interest at 1% and be payable within 24 months of the date the funds were received.