WEST SIDE CATHOLIC CENTER
AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019 and 2018

DRAFT - Tentative and Preliminary

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONTENTS

DRAFT - Tentative and Preliminary

	Page
INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-17
UNIFORM GUIDANCE AUDIT REQUIREMENTS	
Schedule of expenditures of federal awards	18
Notes to the schedule of expenditures of federal awards	19
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*	20-21
Independent auditors' report on compliance for the major program and on internal control over compliance required by the Uniform Guidance	22-23
Schedule of findings and questioned costs	24-25

Independent Auditors' Report

Board of Directors
West Side Catholic Center
Cleveland, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of West Side Catholic Center (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

DRAFT - Tentative and Preliminary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Side Catholic Center and Subsidiary as of December 31, 2019 and 2018, and the changes in their net assets and their 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 consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 21, 2020 on our consideration of West Side Catholic Center and Subsidiary's internal control over financial reporting and on our tests of their 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 and Subsidiary'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 and Subsidiary's internal control over financial reporting and compliance.

DRAFT - Tentative and Preliminary

Cleveland, Ohio
February 21, 2020

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 787,018	$ 770,974
Funds held in trust	22,167	17,383
Receivables:		
Pledges receivable - net	9,556	72,714
Grants receivable	158,559	339,323
Other receivable	26,084	10,000
Prepaid expenses and other assets	68,679	27,822
Investments - non-endowed	403,158	294,395
Investments - endowed	2,245,956	1,941,069
Property and equipment - net	3,744,775	3,688,389
TOTAL ASSETS	$ 7,465,952	$ 7,162,069
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 115,404	$ 9,388
Accrued liabilities and other	77,505	55,348
Funds held in trust	22,167	17,383
Forgivable loan payable	100,198	114,512
TOTAL LIABILITIES	315,274	196,631
NET ASSETS		
Without donor restrictions	4,621,762	4,687,501
With donor restrictions	2,528,916	2,277,937
TOTAL NET ASSETS	7,150,678	6,965,438
TOTAL LIABILITIES AND NET ASSETS	$ 7,465,952	$ 7,162,069

DRAFT - Tentative and Preliminary

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

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	$ 1,019,959	$ 8,625	$ 1,028,584
Special event - net of $112,139 in direct expenses	285,027		285,027
United Way contributions	146,331	56,126	202,457
Grants	1,324,808	298,500	1,623,308
Net realized and unrealized gains on investments	21,571	305,682	327,253
Investment income, net	8,541	37,738	46,279
Other income	76,410		76,410
Pizzeria sales	162,420		162,420
Total revenues	3,045,067	706,671	3,751,738
Net assets released from restrictions	455,692	(455,692)	-
	3,500,759	250,979	3,751,738
EXPENSES			
Program services:			
Center	802,691		802,691
Shelter	873,446		873,446
Economic Opportunity	324,655		324,655
Housing	935,797		935,797
Ohio City Pizzeria, LLC	381,372		381,372
Total program services	3,317,961		3,317,961
Support services:			
General and administrative	119,075		119,075
Fundraising	129,462		129,462
Total support services	248,537		248,537
Total expenses	3,566,498		3,566,498
CHANGES IN NET ASSETS	(65,739)	250,979	185,240
NET ASSETS AT BEGINNING OF YEAR	4,687,501	2,277,937	6,965,438
NET ASSETS AT END OF YEAR	$ 4,621,762	$ 2,528,916	$ 7,150,678

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

DRAFT - Tentative and Preliminary

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	$ 998,948	$ 20,100	$ 1,019,048
Special event - net of $90,533 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	(104,000)		(104,000)
Total revenues	2,681,163	331,376	3,012,539
Net assets released from restrictions	633,984	(633,984)	-
	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	1,063,874		1,063,874
Total program services	2,844,003		2,844,003
Support services:			
General and administrative	114,294		114,294
Fundraising	131,034		131,034
Total support services	245,328		245,328
Total expenses	3,089,331		3,089,331
CHANGES IN NET ASSETS	225,816	(302,608)	(76,792)
NET ASSETS AT BEGINNING OF YEAR	4,461,685	2,580,545	7,042,230
NET ASSETS AT END OF YEAR	$ 4,687,501	$ 2,277,937	$ 6,965,438

DRAFT - Tentative and Preliminary

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

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Center	Shelter	Economic Opportunity	Housing	Ohio City Pizzeria, LLC	General and Administrative	Fundraising	Total
OPERATING EXPENSE								
Wages and benefits:								
Wages	$ 435,884	$ 530,274	$ 196,265	$ 397,395	$ 88,471	$ 42,730	$ 58,197	$ 1,749,216
Benefits	97,536	159,288	46,031	98,560	16,901	(5,673)	18,852	431,495
Total wages and benefits	533,420	689,562	242,296	495,955	105,372	37,057	77,049	2,180,711
Direct program expense:								
Client expense								
Food and beverage	60,105	49,613	564					110,282
Kitchen supplies	4,205	3,113	73					7,391
Program expense	12,657	4,830	1,404	11,898				30,789
Rent subsidy - Zacchaeus				320,789				320,789
Client assistance	22,298	2,030	3,070	4,050				31,448
Ohio City Pizzeria, LLC expense								
Food and beverage					80,271			80,271
Total program expenses	99,265	59,586	5,111	336,737	80,271			580,970
Occupancy:								
Utilities	15,520	24,556	9,130	16,402	19,151	4,647	3,107	92,513
Security	36,093	1,789	1,080					38,962
Insurance	2,899	2,665	354	2,304	2,090	1,300	234	11,846
Building maintenance	38,702	26,537	8,632	96	33,662	2,772		110,401
Total occupancy	93,214	55,547	19,196	18,802	54,903	8,719	3,341	253,722
General and administrative costs:								
Professional fees	3,125	3,125	2,500	3,125	12,500	1,813	313	26,501
Computer expenses	12,831	14,256	13,637	14,106		18,039	12,347	85,216
Office expense	3,558	1,544	3,966	1,417	2,718	7,244	1,664	22,111
Vehicles and transportation	1,757	518	104	8,375		403	61	11,218
Other administrative costs	5,476	2,912	2,757	29,895	19,819	21,384	4,803	87,046
Total general and administrative costs	26,747	22,355	22,964	56,918	35,037	48,883	19,188	232,092
Advertising and marketing:								
Postage						5,874	6,773	12,647
Printing	705	705	564	743		588	8,485	11,790
Marketing					6,005	2,274	117,375	125,654
Total advertising and marketing	705	705	564	743	6,005	8,736	132,633	150,091
Total expenses before depreciation	753,351	827,755	290,131	909,155	281,588	103,395	232,211	3,397,586
Depreciation	49,340	45,691	34,524	26,642	627	15,680	9,390	181,894
Start-up expense	-				99,157			99,157
	802,691	873,446	324,655	935,797	381,372	119,075	241,601	3,678,637
Less expenses included with special events, net on the consolidated statement of activities							(112,139)	(112,139)
Total expense	$ 802,691	$ 873,446	$ 324,655	$ 935,797	$ 381,372	$ 119,075	$ 129,462	$ 3,566,498

DRAFT - Tentative and Preliminary

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

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Center	Shelter	Economic Opportunity	Housing	General and Administrative	Fundraising	Total
OPERATING EXPENSE							
Wages and benefits:							
Wages	$ 352,893	$ 474,261	$ 179,449	$ 407,041	$ 53,191	$ 75,282	$ 1,542,117
Benefits	62,981	128,499	35,486	89,367	11,958	13,386	341,677
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	25,351	6,568	2,337	4,770	705		39,731
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	44,912	26,229	3,005	364	608		75,118
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	27,799	12,627	8,795	43,007	6,402	2,401	101,031
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	92,931	93,380
Total advertising and marketing	1,680	904	557	642	5,241	106,648	115,672
Total expenses before depreciation	664,677	753,969	244,002	1,044,258	99,620	212,322	3,018,848
Depreciation	53,598	43,286	20,597	19,616	14,674	9,245	161,016
	718,275	797,255	264,599	1,063,874	114,294	221,567	3,179,864
Less expenses included with special events, net on the consolidated statement of activities						(90,533)	(90,533)
Total expense	$ 718,275	$ 797,255	$ 264,599	$ 1,063,874	$ 114,294	$ 131,034	$ 3,089,331

DRAFT - Tentative and Preliminary

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

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 185,240	$ (76,792)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	181,894	161,016
Net realized and unrealized (gains) losses on investments	(327,253)	113,152
Forgiveness of loan	(14,314)	(14,314)
Loss on acquisition	-	104,000
Contributions restricted for investments in plant	(75,141)	(285,380)
Changes in operating assets and liabilities:		
Pledges receivable	63,158	114,429
Grants receivable	180,764	(227,350)
Other receivable	(16,084)	31,794
Prepaid expenses and other assets	(40,857)	(10,820)
Accounts payable	106,016	(256,779)
Accrued liabilities and other	22,157	(34,092)
Total adjustments	80,340	(304,344)
Net cash provided by (used in) operating activities	265,580	(381,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(238,280)	(951,835)
Proceeds from investments	44,819	1,111,665
Purchases of investments	(131,216)	(250,820)
Net cash used in investing activities	(324,677)	(90,990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investments in plant	75,141	285,380
Change in cash and cash equivalents	16,044	(186,746)
Cash and cash equivalents at beginning of year	770,974	957,720
Cash and cash equivalents at end of year	$ 787,018	$ 770,974

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

DRAFT - Tentative and Preliminary

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities – West Side Catholic Center provides various services to low-income persons in Cuyahoga County, Ohio. Its sources of revenues are derived principally from grants, public contributions, and the United Way.

West Side Catholic Center is the sole member of Ohio City Pizzeria, LLC, which was incorporated during 2019 to provide employment opportunities to the people served by West Side Catholic Center, grow awareness of West Side Catholic Center, and to provide an additional revenue stream to support the operations of West Side Catholic Center.

The consolidated financial statements include the accounts of West Side Catholic Center and Ohio City Pizzeria, LLC, collectively the "Organization." All significant intercompany transactions and accounts are eliminated in consolidation.

B. Basis of Accounting – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and 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, 2019 and 2018, board-designated net assets were $89,413 and $127,946, 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.

DRAFT - Tentative and Preliminary

Note 1. Summary of Significant Accounting Policies (Continued)

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 consolidated statements of financial position. The funds held in trust were $22,167 and $17,383 at December 31, 2019 and 2018, respectively.

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 2019 and 2018. At December 31, 2019, pledges representing future contributions receivable in less than one year are $9,556. At December 31, 2019 and 2018, grants receivable, due within one year, were $158,559 and $339,323, 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, 2019 and 2018.

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 restrictions. 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 incurred.

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 2016 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 consolidated financial statements.

DRAFT - Tentative and Preliminary

Note 1. Summary of Significant Accounting Policies (Continued)

K. Fair Value Measurements – The carrying values of cash and cash equivalents, pledges receivable, grants and other receivable, accounts payable, and funds held in trust approximate fair value because of the short maturity of these financial instruments. 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:

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
December 31, 2019:			
Money market funds	$ 401,447	$ -	$ 401,447
Equity mutual funds	1,375,444	1,375,444	-
Fixed income mutual funds	872,223	872,223	-
	$ 2,649,114	$ 2,247,667	$ 401,447

	Fair Value Total	Level 1	Level 2
December 31, 2018:			
Money market funds	$ 292,684	$ -	$ 292,684
Equity mutual funds	1,090,660	1,090,660	-
Fixed income mutual funds	852,120	852,120	-
	$ 2,235,464	$ 1,942,780	$ 292,684

DRAFT - Tentative and Preliminary

Note 1. Summary of Significant Accounting Policies (Continued)

K. Fair Value Measurements (Continued)

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, 2019 and 2018.

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 consolidated 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 consolidated statements of activities and changes in net assets. 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, the Financial Accounting Standards Board ("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 consolidated financial statements accordingly.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance clarifies the definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional. The Organization adopted ASU 2018-08 during the year ended December 31, 2019 using the modified prospective transition method. The guidance did not have an impact on the Organization's consolidated financial statements.

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.

DRAFT - Tentative and Preliminary

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 consolidated statement of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	$ 787,018	$ 770,974
Pledges receivable - net	9,556	62,658
Grants receivable	158,559	56,126
Investments - non-endowed	403,158	294,395
	$ 1,358,291	$ 1,184,153

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.

The Organization's board-designated endowment which is not included in the table above has a balance of $89,413 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.

DRAFT - Tentative and Preliminary

Note 3. Endowment (Continued)

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.

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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	$ 89,413	$ -	$ 89,413
Donor-restricted endowment funds:			
Corpus	-	994,050	994,050
Earnings on endowment	-	1,162,493	1,162,493
	$ 89,413	$ 2,156,543	$ 2,245,956

DRAFT - Tentative and Preliminary

Note 3. Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 127,946	$ 1,813,123	$ 1,941,069
Investment return:			
Investment income	2,663	37,738	40,401
Net appreciation (realized and unrealized)	21,571	305,682	327,253
Total investment return	24,234	343,420	367,654
Appropriations	(62,767)	-	(62,767)
Endowment net assets, end of year	$ 89,413	$ 2,156,543	$ 2,245,956

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

	Without Donor Restrictions	With Donor Restrictions	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
	$ 127,946	$ 1,813,123	$ 1,941,069

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

	Without Donor Restrictions	With Donor Restrictions	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	$ 127,946	$ 1,813,123	$ 1,941,069

DRAFT - Tentative and Preliminary

Note 4. Property and Equipment

Property and equipment is summarized as follows at December 31:

	2019	2018
Land and improvement	$ 131,820	$ 131,820
Buildings	1,104,853	1,104,853
Building improvement	3,641,480	3,579,512
Equipment	149,064	142,207
Vehicles	25,065	25,065
Furniture and fixtures	33,745	33,745
Software	29,119	29,119
Construction in process	169,457	-
Total costs	5,284,603	5,046,321
Accumulated depreciation	(1,539,828)	(1,357,932)
	$ 3,744,775	$ 3,688,389

Depreciation expense was $181,894 and $161,016 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018. The line of credit bears interest at the prime rate of interest (4.75% at December 31, 2019) 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, 2019 and 2018.

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, 2019 and 2018, the balance on the loan was $100,198 and $114,512, respectively.

DRAFT - Tentative and Preliminary

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes:

	2019	2018
Capital Campaign	$ 9,122	$ 72,714
Housing program	150,000	105,000
Shelter program	25,000	192,000
Economic opportunities	129,125	85,100
Center programs	59,126	10,000
Endowment earnings	1,162,493	819,073
Endowment principal	994,050	994,050
	$ 2,528,916	$ 2,277,937

Net assets with donor restrictions of $455,692 and $633,984 were released in 2019 and 2018, respectively. Net assets released from restrictions relate primarily to Capital Campaign (building renovations), as well as operating and program purposes.

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 $28,599 and $14,742 for the years ended December 31, 2019 and 2018, 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 Avenue 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, LLC for $112,500. At the time of the purchase, $104,000 of the Ohio City Pizzeria, LLC 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 21, 2020, which is the date the consolidated financial statements were available to be issued.

DRAFT - Tentative and Preliminary

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

UNIFORM GUIDANCE AUDIT REQUIREMENTS

DRAFT - Tentative and Preliminary

WEST SIDE CATHOLIC CENTER AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Housing & Urban Development		
Continuum of Care Program	14.267	$ 586,866
U.S. Department of Housing & Urban Development passed through Cuyahoga County		
Continuum of Care Program - Rapid Re-housing for Families	14.267	183,224
Total Continuum of Care Program		770,090
U.S. Department of Housing & Urban Development passed through City of Cleveland Department of Development		
Emergency Solutions Grant Program	14.231	51,158
U.S. Department of Housing & Urban Development passed through Cuyahoga County		
Emergency Solutions Grant Program	14.231	60,818
Total Emergency Solutions Grant Program		111,976
U.S. Department of Agriculture passed through the Ohio Department of Education		
Child and Adult Care Food Program	10.558	30,373
Emergency Food and Shelter Board passed through Cuyahoga County		
Emergency Food and Shelter Program	97.024	44,036
U.S. Department of Veterans Affairs		
Veterans Special Needs Program	64.024	58,054
Total Expenditures of Federal Awards		$ 1,014,529

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

DRAFT - Tentative and Preliminary

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 and Subsidiary under programs of the federal government for the year ended December 31, 2019. 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 and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of West Side Catholic Center and Subsidiary.

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 and Subsidiary have elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DRAFT - Tentative and Preliminary

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 consolidated financial statements of West Side Catholic Center (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated 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 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered West Side Catholic Center and Subsidiary'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 and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of West Side Catholic Center and Subsidiary'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 consolidated 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.

DRAFT - Tentative and Preliminary

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Side Catholic Center and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of their 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 and Subsidiary'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 and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT - Tentative and Preliminary

Cleveland, Ohio
February 21, 2020

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 and Subsidiary'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 and Subsidiary's major federal program for the year ended December 31, 2019. West Side Catholic Center and Subsidiary'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 West Side Catholic Center and Subsidiary'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 and Subsidiary'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 and Subsidiary's compliance.

DRAFT - Tentative and Preliminary

Opinion on Each Major Federal Program

In our opinion, West Side Catholic Center and Subsidiary 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, 2019.

Report on Internal Control Over Compliance

Management of West Side Catholic Center and Subsidiary 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 and Subsidiary'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 and Subsidiary'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 and Subsidiary'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.

DRAFT - Tentative and Preliminary

Cleveland, Ohio
February 21, 2020

DRAFT - Tentative and Preliminary

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

Section II - Financial Statement Findings

No findings were noted.

Section III - Federal Award Findings and Questioned Costs

No findings were noted.

DRAFT - Tentative and Preliminary