
Franciscan Shelters d.b.a. Bethany House

**Financial Report
December 31, 2020**

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Independent Auditor's Report

To the Board of Trustees
Franciscan Shelters d.b.a. Bethany House

We have audited the accompanying financial statements of Franciscan Shelters d.b.a. Bethany House (the "Organization"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audits 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 Franciscan Shelters d.b.a. Bethany House as of December 31, 2020 and 2019 and the results of its operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements to the financial statements, the COVID-19 pandemic has impacted the Organization. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

May 11, 2021

Franciscan Shelters d.b.a. Bethany House

Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 615,367	\$ 339,776
Investments (Note 3)	786,197	713,410
Receivables:		
Trade	233	61
Grants	76,397	43,391
Prepaid expense	4,483	7,297
Other assets	11,080	12,600
Total current assets	1,493,757	1,116,535
Furniture and Fixtures - Net (Note 4)	52,244	62,576
Total assets	\$ 1,546,001	\$ 1,179,111
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 13,773	\$ 10,035
Refundable advance	12,391	-
Deposits	2,050	1,600
Other liabilities	6,661	3,562
Total liabilities	34,875	15,197
Net Assets (Note 2)		
Without donor restrictions:		
Undesignated	1,463,154	1,112,526
Board designated (Note 7)	30,000	33,365
With donor restrictions	17,972	18,023
Total net assets	1,511,126	1,163,914
Total liabilities and net assets	\$ 1,546,001	\$ 1,179,111

Franciscan Shelters d.b.a. Bethany House

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020	2019
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Contributions	\$ 257,435	\$ 218,754
Grants	458,139	390,447
Foundations	94,500	92,700
Contributed rent from affiliate (Note 6)	120,960	120,960
Rental income	28,500	27,150
Interest income	10,406	12,673
Realized and unrealized gains on investments	88,886	90,090
Total revenue, gains, and other support	1,058,826	952,774
Net assets released from restrictions	23,597	21,594
Total revenue, gains, other support, and net assets released from restrictions	1,082,423	974,368
Expenses:		
Salaries and benefits	390,761	367,898
Utilities	33,844	28,787
Repairs and maintenance	46,612	21,366
Professional fees	37,343	42,851
Rent (Note 6)	120,960	120,960
Client assistance	41,312	51,803
Office and other supplies	3,423	3,885
Fundraising and other	9,426	13,791
Telephone	10,426	8,149
Program expenses	8,296	8,447
Depreciation	10,332	10,413
Other	22,425	26,594
Total expenses	735,160	704,944
Increase in Net Assets without Donor Restrictions - Before net asset transfers	347,263	269,424
Net Asset Transfers (Note 6)	-	(182,222)
Increase in Net Assets without Donor Restrictions	347,263	87,202
Changes in Net Assets with Donor Restrictions		
Contributions	23,546	30,280
Net assets released from restrictions	(23,597)	(21,594)
(Decrease) Increase in Net Assets with Donor Restrictions	(51)	8,686
Increase in Net Assets	347,212	95,888
Net Assets - Beginning of year	1,163,914	1,068,026
Net Assets - End of year	\$ 1,511,126	\$ 1,163,914

Franciscan Shelters d.b.a. Bethany House

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 243,153	\$ 49,242	\$ 23,275	\$ 315,670
Payroll taxes	(398)	1,462	1,721	2,785
Employee benefits	55,984	4,258	2,166	62,408
Retirement	7,290	1,815	793	9,898
Client assistance	40,875	437	-	41,312
Bad debts	2,300	-	-	2,300
Bank service charges	-	228	-	228
Board expenses	-	628	-	628
Depreciation expense	9,323	1,009	-	10,332
Dues and subscriptions	300	-	-	300
Insurance general and liability	11,124	4,933	-	16,057
Miscellaneous	106	4	-	110
Office supplies and equipment	174	3,249	-	3,423
Postage and delivery	385	740	2,385	3,510
Printing and reproduction	2,488	114	3,316	5,918
Professional fees	4,125	32,740	478	37,343
Program and outreach expenses	8,214	82	-	8,296
Rent	108,864	12,096	-	120,960
Repairs and maintenance	46,517	95	-	46,612
Staff/Volunteer appreciation	5	820	-	825
Telephone	4,975	4,683	768	10,426
Travel/Training	1,923	52	-	1,975
Utilities	30,430	3,414	-	33,844
Total functional expenses	<u>\$ 578,157</u>	<u>\$ 122,101</u>	<u>\$ 34,902</u>	<u>\$ 735,160</u>

Franciscan Shelters d.b.a. Bethany House

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 217,681	\$ 50,444	\$ 22,289	\$ 290,414
Payroll taxes	17,414	3,783	1,783	22,980
Employee benefits	35,312	8,145	3,625	47,082
Retirement	5,567	1,284	571	7,422
Client assistance	51,803	-	-	51,803
Advertising and marketing	-	420	100	520
Bank service charges	-	89	-	89
Board expenses	-	439	-	439
Depreciation expense	9,404	1,009	-	10,413
Dues and subscriptions	-	792	525	1,317
Fundraising	-	-	3,387	3,387
Insurance general and liability	9,528	4,772	-	14,300
Office supplies and equipment	746	3,065	74	3,885
Postage and delivery	-	1,658	1,247	2,905
Miscellaneous	-	19	11	30
Printing and reproduction	1,814	1,175	3,990	6,979
Professional fees	9,000	33,056	795	42,851
Program and outreach expenses	8,197	20	230	8,447
Rent	108,864	12,096	-	120,960
Repairs and maintenance	19,594	1,772	-	21,366
Staff/Volunteer appreciation	-	1,435	-	1,435
Telephone	2,516	5,110	523	8,149
Travel/Training	5,949	3,035	-	8,984
Utilities	25,781	3,006	-	28,787
Total functional expenses	<u>\$ 529,170</u>	<u>\$ 136,624</u>	<u>\$ 39,150</u>	<u>\$ 704,944</u>

Franciscan Shelters d.b.a. Bethany House

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	\$ 347,212	\$ 95,888
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	10,332	10,413
Bad debt expense - Rent	2,300	-
Realized and unrealized gain on investments	(88,886)	(90,090)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Trade receivables	(2,472)	1,100
Grants receivable	(33,006)	22,925
Prepaid expenses	2,814	8,345
Other assets	1,520	(6,676)
Accounts payable	3,738	4,633
Refundable advance, deposits, and other liabilities	15,940	(9,221)
Net cash and cash equivalents provided by operating activities	259,492	37,317
Cash Flows Provided by (Used in) Investing Activities - Proceeds from (purchases of) investments	16,099	(183,258)
Net Increase (Decrease) in Cash and Cash Equivalents	275,591	(145,941)
Cash and Cash Equivalents - Beginning of year	339,776	485,717
Cash and Cash Equivalents - End of year	<u>\$ 615,367</u>	<u>\$ 339,776</u>

Note 1 - Nature of Business

Franciscan Shelters d.b.a. Bethany House (the "Organization") was established on January 1, 1984 and incorporated in the state of Ohio on December 30, 1988 to provide safe long-term transitional shelter and support services to domestic violence victims and their children. The Organization is a wholly owned subsidiary of Sylvania Franciscan Ministries, which is the formal expression of the sponsored health and human services ministries of the Sisters of St. Francis of Sylvania, Ohio.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Revenue Recognition and Receivables

The Organization receives conditional promises to give in the form of available grant funds that are not recognized as assets in the statement of financial position. Conditional promises to give total \$210,126 and \$316,174 as of December 31, 2020 and 2019, respectively, and will be recorded as revenue as the conditions within the grant agreements are met. The primary condition inherent in the grants is that expenditures must be made in accordance with the types and amounts of expenditures approved within each grant agreement. In the event that the Organization receives cash in advance of meeting conditions, refundable advance is recognized on the statement of financial position.

Funds received with no donor restrictions are included in changes in net assets without donor restrictions at fair value. Certain funds have been restricted by donors for specific use by the Organization and have been included in changes in net assets with donor restrictions.

Certain donated assets, services, and use of facilities are recognized as in-kind revenue in the statement of activities and changes in net assets. The values of these assets, services, and use of facilities are determined based on estimated fair value. Amounts contributed for donated assets and services are recorded in the statement of activities and changes in net assets as contributions and the use of the assets and services are recorded as client assistance and office and other supplies.

Accounts receivable are stated at invoice amounts. Federal and state reimbursement grants are recorded as receivables and revenue when the related expenditures are incurred. Assistance awards made on the basis of entitlement are recorded as receivables and revenue when the entitlement occurs. The Organization has determined that all receivable balances are fully collectible at December 31, 2020 and 2019 and, thus, has made no provision for uncollectible accounts. When amounts are deemed to be uncollectible, they are expensed in the year in which that determination is made.

Investments

Investments are recorded at fair market value, as determined by quoted market prices of securities held. Unrealized appreciation or depreciation of the investments based upon the quoted market value at December 31 is recorded as an increase or decrease in net assets.

Investment securities are classified based on the Organization's intent with respect to holding securities.

Note 2 - Significant Accounting Policies (Continued)

The alternative investment, composed primarily of common collective funds that are not readily marketable, is measured at fair value, valued at net asset value per share as the practical expedient. The Organization reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Furniture and Fixtures

Furniture and fixtures are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Federal Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code (IRC) Section 501(c)(3).

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Costs have been allocated between the various program and support services on several bases and estimates, including time and effort, square footage, and specific identification. The expenses that are allocated include depreciation, rent, and other property-related expenses that are allocated on the basis of the nature of the underlying assets or square footage. Salaries and benefits are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using the retrospective method.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Impact of Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. While the Organization's results of operations, cash flows, and financial condition were not significantly impacted, the extent of any future impact cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 11, 2021, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Notes to Financial Statements

December 31, 2020 and 2019

Note 3 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by the Organization to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Balance at December 31, 2020
Money market mutual funds	\$ 59,103	\$ 59,103
Investments:		
Mutual funds - Fixed-income domestic	145,598	145,598
Mutual funds - International	122,187	122,187
Common stock	369,710	369,710
Total investments	637,495	637,495
Total	\$ 696,598	696,598
Investments measured at NAV - Common collective funds		148,702
Total assets		\$ 845,300
	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Balance at December 31, 2019
Money market mutual funds	\$ 35,789	\$ 35,789
Investments:		
Mutual funds - Fixed-income domestic	138,696	138,696
Mutual funds - International	109,937	109,937
Common stock	324,577	324,577
Total investments	573,210	573,210
Total	\$ 608,999	608,999
Investments measured at NAV - Common collective funds		140,200
Total assets		\$ 749,199

The Organization holds shares in common collective funds administered by the Catholic United Investment Trust (CUIT) Intermediate Diversified Bond Fund at year end where the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient. The investment is exclusively for tax-exempt Catholic institutions and includes U.S. government, agency, corporate, and mortgage-backed securities. The fund investment strategy aims to achieve returns above the benchmark for the Bloomberg Barclays Aggregate Bond Index over a full market cycle. There are no unfunded commitments or redemption restrictions relative to this fund.

Note 4 - Furniture and Fixtures

Furniture and fixtures are summarized as follows:

	2020	2019	Depreciable Life - Years
Furniture and fixtures - Cost	\$ 176,923	\$ 176,923	5-20
Accumulated depreciation	124,679	114,347	
Net furniture and fixtures	<u>\$ 52,244</u>	<u>\$ 62,576</u>	

Depreciation expense for 2020 and 2019 was \$10,332 and \$10,413, respectively.

Note 5 - Retirement Plan

Employees are eligible to participate in a defined contribution retirement plan. The Organization provides employees with 1 percent of compensation employer basic contribution, plus a matching contribution equal to 50 percent of the first 6 percent of the employee's contribution, for a maximum matching contribution of 3 percent of compensation. Employees become 100 percent vested in the 1 percent basic contribution after three years of service and are immediately vested in the match. Total organization contributions charged to retirement costs in 2020 and 2019 were \$9,898 and \$7,422, respectively.

Note 6 - Related Party Transactions

The following is a description of transactions between the Organization and related parties:

Lease Commitment

Franciscan Properties (Properties), an organization under common control of Sylvania Franciscan Ministries, owns a building that is occupied by the Organization and the leasehold improvements affixed to that building.

The building occupied by the Organization is leased from Properties under an operating lease that is renewable annually. There are no payments for rent under the terms of this lease. The estimated fair value of the lease for the years ended December 31, 2020 and 2019 was \$120,960. The fair value of the lease during the year was recognized as contributed rent from affiliate, with an offsetting amount included in rent expense.

The Organization paid for \$0 and \$182,222 in leasehold improvements to the building owned by Properties during the years ended December 31, 2020 and 2019, respectively. These leasehold improvements were transferred to Properties and are included in the statement of activities and changes in net assets as net asset transfers.

Note 7 - Liquidity and Availability of Resources

The Organization has \$691,997 and \$383,228 of financial assets available within one year of December 31, 2020 and 2019 to meet cash needs for general expenditures consisting of cash and cash equivalents of \$615,367 and \$339,776 and receivables of \$76,630 and \$43,452, respectively. There are purpose restrictions of \$17,972 and \$18,023 at December 31, 2020 and 2019, respectively, and these funds may not be available for general use within the next year. There are certain funds held as security deposits totaling \$2,050 and \$1,600 at December 31, 2020 and 2019, respectively, and these funds may not be available for general use within the next year. Excluding the funds with donor restrictions and held as security deposits, the Organization has \$671,975 and \$363,605, at December 31, 2020 and 2019, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The receivables are subject to implied time restrictions but are expected to be collected within one year.

Note 7 - Liquidity and Availability of Resources (Continued)

Further, the Organization has \$786,197 and \$713,410 of short-term investments that may be drawn upon for general expenditures or other purposes at December 31, 2020 and 2019, respectively. The board has designated \$30,000 and \$33,365 primarily for capital improvements at December 31, 2020 and 2019, respectively.

The Organization has goals to maintain financial assets on hand to fund operating expenses. As a minimum level of funding, the Organization has a goal to maintain financial assets sufficient to fund 120 days of normal operating expenses, which are, on average, \$241,697 and \$231,762 at December 31, 2020 and 2019, respectively. As an ideal level of funding, the Organization has determined that it will strive to maintain financial assets sufficient to fund 180 days of normal operating expenses, which are, on average, \$362,545 and \$347,644 at December 31, 2020 and 2019, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 8 - Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets with donor restrictions are those whose use is limited by donor-imposed time or purpose restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those restrictions.

Net assets with donor restrictions as of December 31, 2020 and 2019 are restricted for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose:		
Car program	\$ 10,455	\$ 11,454
Birthday fund	2,590	697
Client assistance fund	274	4,039
Computer fund	1,379	1,833
Toy fund	869	-
Basement project	2,405	-
Total	\$ 17,972	\$ 18,023

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Board-designated net assets are net assets without donor restrictions designated by the board primarily for capital improvements. These designations are based on board actions, which can be altered or revoked at a future time by the board.