



MUELLER & CO., LLP

Certified Public Accountants – Business & Financial Advisors

ASSURANCE

**FRANCISCAN OUTREACH
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

MUELLER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Franciscan Outreach
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Franciscan Outreach which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Outreach as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Muller & Co., LLP

Chicago, Illinois
May 23, 2018

FRANCISCAN OUTREACH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 46,386	32,129
Grants receivable	65,482	134,924
Contributions receivable	94,010	62,110
Prepaid expenses	-	6,601
Prepaid insurance	16,872	17,974
	222,750	253,738
Other assets -		
Property and equipment, net	459,797	533,280
	\$ 682,547	787,018

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 55,147	68,117
Accrued expenses and other liabilities	68,177	73,770
Line of credit	-	126,647
	123,324	268,534
Net assets:		
Unrestricted	557,093	514,913
Temporarily restricted	2,130	3,571
	559,223	518,484
	\$ 682,547	787,018

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Support and revenue:			
Contributions	\$ 611,402	25,510	636,912
Contributions - from Franciscan sources	40,562	-	40,562
Bequests	24,750	-	24,750
Grants - corporate	25,000	-	25,000
Grants - foundations	245,300	85,000	330,300
Grants - religious	44,500	101,650	146,150
Grants - government	689,999	-	689,999
Special event revenue	252,200	1,500	253,700
Gain on sale of asset	510	-	510
Interest income	34	-	34
	<u>1,934,257</u>	<u>213,660</u>	<u>2,147,917</u>
Donated goods and services	1,012,095	-	1,012,095
Net assets released from restrictions	215,101	(215,101)	-
	<u>1,227,196</u>	<u>(215,101)</u>	<u>1,012,095</u>
Total support and revenue	<u>3,161,453</u>	<u>(1,441)</u>	<u>3,160,012</u>
Expenses:			
Program services	2,541,065	-	2,541,065
Administrative expenses	149,755	-	149,755
Fundraising expenses	428,434	-	428,434
Total expenses	<u>3,119,254</u>	<u>-</u>	<u>3,119,254</u>
Realized and unrealized losses on investments	19	-	19
Total expenses and losses	<u>3,119,273</u>	<u>-</u>	<u>3,119,273</u>
Change in net assets	42,180	(1,441)	40,739
Net assets, beginning of year	<u>514,913</u>	<u>3,571</u>	<u>518,484</u>
Net assets, end of year	<u>\$ 557,093</u>	<u>2,130</u>	<u>559,223</u>

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Support and revenue:			
Contributions	\$ 745,607	38,341	783,948
Contributions - from Franciscan sources	90,544	-	90,544
Bequests	234,645	-	234,645
Grants - corporate	25,000	-	25,000
Grants - foundations	176,000	77,500	253,500
Grants - religious	53,879	65,700	119,579
Grants - government	556,235	-	556,235
Special event revenue	215,756	5,000	220,756
Interest income	28	-	28
	<u>2,097,694</u>	<u>186,541</u>	<u>2,284,235</u>
Donated goods, services and vehicles	994,069	-	994,069
Net assets released from restrictions	224,323	(224,323)	-
	<u>1,218,392</u>	<u>(224,323)</u>	<u>994,069</u>
Total support and revenue	<u>3,316,086</u>	<u>(37,782)</u>	<u>3,278,304</u>
Expenses:			
Program services	2,641,726	-	2,641,726
Administrative expenses	151,649	-	151,649
Fundraising expenses	433,480	-	433,480
Total expenses	<u>3,226,855</u>	<u>-</u>	<u>3,226,855</u>
Realized and unrealized gains on investments	(246)	-	(246)
Total expenses and gains	<u>3,226,609</u>	<u>-</u>	<u>3,226,609</u>
Change in net assets	89,477	(37,782)	51,695
Net assets, beginning of year	425,436	41,353	466,789
Net assets, end of year	<u>\$ 514,913</u>	<u>3,571</u>	<u>518,484</u>

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

FRANCISCAN OUTREACH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash provided by (applied to) operating activities:		
Change in net assets	\$ 40,739	51,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	73,483	95,301
Net realized and unrealized (gains) losses on investments	19	(246)
Gain on sale of asset	(510)	-
Noncash donations	(8,674)	(70,654)
Changes in:		
Grants receivable	69,442	(51,081)
Contributions receivable	(31,900)	639
Prepaid expenses	6,601	(5,871)
Prepaid insurance	1,102	(170)
Unfunded disbursements	-	(22,798)
Accounts payable	(12,970)	40,553
Accrued expenses and other liabilities	(5,593)	1,215
	<u>131,739</u>	<u>38,583</u>
Cash provided by (applied to) investing activities:		
Proceeds from sale of investments	8,655	70,900
Proceeds from sale of property and equipment	510	-
Purchases of property and equipment	-	(102,323)
	<u>9,165</u>	<u>(31,423)</u>
Cash provided by (applied to) financing activities:		
Proceeds from line of credit	984,000	676,607
Payments on line of credit	(1,110,647)	(658,500)
	<u>(126,647)</u>	<u>18,107</u>
Net increase in cash and cash equivalents	14,257	25,267
Cash and cash equivalents, beginning of year	<u>32,129</u>	<u>6,862</u>
Cash and cash equivalents, end of year	<u>\$ 46,386</u>	<u>32,129</u>
Noncash investing transactions -		
Contribution of equity securities	<u>\$ 8,674</u>	<u>70,654</u>
Other cash flow information -		
Interest paid	<u>\$ 14,074</u>	<u>13,388</u>

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

FRANCISCAN OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	HOUSE OF MARY & JOSEPH	MARQUARD CENTER	CASE MANAGEMENT		ADMINISTRATIVE	FUNDRAISING		
Salaries	\$ 543,720	91,932	238,240	873,892	56,809	234,682	291,491	1,165,383
Medical benefits	43,262	3,468	41,769	88,499	29,335	24,467	53,802	142,301
Other employee benefits	53,913	4,245	22,770	80,928	13,723	19,292	33,015	113,943
Stipends	19,747	39,935	100	59,782	-	-	-	59,782
Professional fees and contract services	70,939	31,237	9,349	111,525	12,085	34,581	46,666	158,191
Food	786,084	68,031	2,118	856,233	57	9	66	856,299
Supplies	82,141	31,624	981	114,746	996	902	1,898	116,644
Postage and printing	324	339	209	872	622	4,714	5,336	6,208
Telephone and internet	6,834	4,984	3,302	15,120	551	1,490	2,041	17,161
Utilities	47,053	21,005	3,242	71,300	2,268	2,269	4,537	75,837
Rent	48,000	-	8,283	56,283	-	-	-	56,283
Insurance	16,864	16,434	1,628	34,926	2,168	397	2,565	37,491
Property taxes	-	6,581	-	6,581	-	-	-	6,581
Equipment repairs/rental and maintenance	23,551	21,720	4,145	49,416	1,340	1,934	3,274	52,690
Dues and multimedia	100	-	450	550	1,710	3,022	4,732	5,282
Specific assistance	1,418	559	12,434	14,411	-	-	-	14,411
Laundry	8,276	-	-	8,276	-	-	-	8,276
Local travel	5,457	4,679	112	10,248	554	357	911	11,159
Conferences and meetings	1,315	366	1,757	3,438	1,698	464	2,162	5,600
Fundraising expenses	-	-	-	-	-	93,308	93,308	93,308
Promotion	-	-	-	-	-	280	280	280
Full time volunteer expenses	7,085	7,085	-	14,170	3,542	-	3,542	17,712
Interest expense	-	-	-	-	14,074	6,062	20,136	20,136
Depreciation	30,119	39,750	-	69,869	3,614	-	3,614	73,483
Miscellaneous	-	-	-	-	4,609	204	4,813	4,813
	<u>\$ 1,796,202</u>	<u>393,974</u>	<u>350,889</u>	<u>2,541,065</u>	<u>149,755</u>	<u>428,434</u>	<u>578,189</u>	<u>3,119,254</u>

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

FRANCISCAN OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	HOUSE OF MARY & JOSEPH	MARQUARD CENTER	CASE MANAGEMENT		ADMINISTRATIVE	FUNDRAISING		
Salaries	\$ 540,172	106,782	293,286	940,240	53,065	273,152	326,218	1,266,458
Medical benefits	26,114	10,277	44,662	81,053	21,883	26,233	48,116	129,169
Other employee benefits	51,608	5,347	26,555	83,510	15,508	24,728	40,236	123,747
Stipends	15,223	28,048	6,667	49,938	-	-	-	49,938
Professional fees and contract services	62,623	41,611	12,010	116,245	32,058	9,736	41,794	158,039
Food	779,073	99,742	1,946	880,762	-	-	-	880,762
Supplies	66,210	26,384	5,174	97,768	1,744	968	2,712	100,480
Postage and printing	162	104	234	499	301	2,810	3,111	3,610
Telephone and internet	7,192	2,193	3,602	12,986	668	3,854	4,522	17,508
Utilities	45,715	20,224	3,064	69,003	2,144	2,144	4,288	73,291
Rent	45,000	-	8,283	53,283	-	-	-	53,283
Insurance	18,555	16,094	1,632	36,281	2,384	398	2,782	39,063
Property taxes	-	5,933	-	5,933	-	-	-	5,933
Equipment repairs/rental and maintenance	32,638	22,411	1,706	56,755	1,285	1,739	3,024	59,780
Dues and multimedia	374	-	110	483	24	2,328	2,352	2,835
Specific assistance	1,300	2,150	17,495	20,946	-	-	-	20,946
Laundry	8,276	-	-	8,276	-	-	-	8,276
Local travel	4,696	5,806	290	10,792	556	101	657	11,449
Conferences and meetings	495	1,242	3,492	5,229	331	1,254	1,585	6,814
Fundraising expenses	-	-	-	-	-	77,433	77,433	77,433
Full time volunteer expenses	10,028	10,028	-	20,056	836	-	836	20,891
Interest expense	-	-	-	-	13,388	6,232	19,620	19,620
Depreciation	45,921	45,766	-	91,687	3,614	-	3,614	95,301
Miscellaneous	-	-	-	-	1,859	370	2,229	2,229
	<u>\$ 1,761,377</u>	<u>450,142</u>	<u>430,207</u>	<u>2,641,726</u>	<u>151,649</u>	<u>433,480</u>	<u>585,129</u>	<u>3,226,855</u>

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

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Franciscan Outreach (Organization) is a not-for-profit organization that was organized under the laws of the State of Illinois on November 16, 1976.

The Organization operates facilities located in Chicago, Illinois and provides people who are marginalized and homeless with food, shelter and the critical services they need to improve their lives. Support is derived primarily from donations and grants from the government, private foundations and individuals.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment have been recorded at cost if purchased or at market value at time of donation if received as a gift. The Organization capitalizes assets over \$1,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Vehicles	5 years
Equipment	5 - 15 years
Building improvements	10 - 30 years
Buildings	30 years

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. At December 31, 2017 and 2016, all promises to give were receivable in less than one year.

Grant revenue is recognized when the expenses have been incurred for the purpose specified by the grantor. Payments received in advance are initially recorded as deferred revenue. Grants that make payment on a reimbursement basis are included in grants receivable on the accompanying statements of financial position until the payment is received.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. In addition, changes in this category of net assets include contributions and grants for which temporary donor imposed stipulations have been satisfied.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization pursuant to those stipulations and/or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

The costs of providing the various programs and activities have been summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

The Organization maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Organization believes it is not exposed to significant credit risk on these accounts.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting Estimates

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Going Concern Evaluation

In accordance with Accounting Standards Update (ASU) No. 2014-15 management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Organization's ability to continue as a going concern for the one year period from the date the financial statements are available to be issued. Management's assessment did not identify any conditions or events raising substantial doubt about the Organization's ability to continue as a going concern for the period from May 23, 2018 to May 23, 2019.

New Accounting Standard – Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the balance sheet and the liabilities for the obligations under the lease also be recognized on the balance sheet. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and the effect that ASU No. 2016-02 is expected to have on its financial position, results of operations and cash flows and related disclosures.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Revenue from Contracts

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2014-09 and the effect that ASU No. 2014-09 is expected to have on its financial position, results of operations, and cash flows and related disclosures.

New Accounting Standard – Presentation of Financial Statements

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). ASU No. 2016-14 is intended to simplify how the Organization classifies its net assets, and also improve the information it presents in the financial statements and notes about liquidity, financial performance and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods with fiscal years beginning after December 15, 2018. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-14 and the effect that ASU No. 2016-14 is expected to have on its financial position, results of operations, and cash flows and related disclosures.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 19,500	19,500
Buildings	175,500	175,500
Building improvements	2,088,996	2,088,996
Equipment	179,165	179,165
Vehicles	<u>38,092</u>	<u>47,829</u>
	2,501,253	2,510,990
Less accumulated depreciation	<u>(2,041,456)</u>	<u>(1,977,710)</u>
	\$ <u>459,797</u>	<u>533,280</u>

FRANCISCAN OUTREACH

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 3 - PROPERTY AND EQUIPMENT, CONTINUED

Depreciation expense included in program and support services was \$73,483 and \$95,301 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 - LINE OF CREDIT

The Organization has a \$650,000 secured line of credit. The line of credit was increased from \$400,000 to \$650,000 in January of 2017. The line of credit is secured by a real estate mortgage and assignment of rents of the Marquard Center. This line expires on August 12, 2018 and bears interest at a variable rate (5.25% as of December 31, 2017). The Organization intends to renew the line of credit agreement prior to expiration and believes it is probable that it will be able to do so. All financial covenants were met or waived as of December 31, 2017 and 2016. There was no outstanding balance on the line of credit as of December 31, 2017 and the balance was \$126,647 at December 31, 2016.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions which expire upon the passage of time or once specific purposes have been fulfilled. At December 31, 2017 and 2016 temporarily restricted net assets were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Case management	\$ <u>2,130</u>	<u>3,571</u>

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the years ended December 31, 2017 and 2016 because donor restrictions were met by satisfying the stated grant purpose or time or other event, are as follows:

	<u>2017</u>	<u>2016</u>
Case management	\$ 112,076	100,582
Operations - specific site	<u>103,025</u>	<u>123,741</u>
	\$ <u>215,101</u>	<u>224,323</u>

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - IN-KIND CONTRIBUTIONS

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Donated services recognized as revenue and expense in the statements of activities for the years ended December 31, 2017 and 2016, respectively, consisted of the following:

		<u>2017</u>	<u>2016</u>
Healthcare services	\$	44,882	68,232
Legal services		26,581	9,880
Project services		<u>12,500</u>	<u>10,811</u>
Total donated services	\$	<u>83,963</u>	<u>88,923</u>

The Organization also received \$928,132 and \$905,146 in donations of food, clothing and other supplies, which were included in donated goods and services in the statements of activities for the years ended December 31, 2017 and 2016, respectively.

Certain services that were donated are acknowledged but are not recognized as contributions because they do not meet the requirements mentioned above. These include the following:

Full time volunteers donated 19,817 hours to the Marquard Center and Franciscan House of Mary & Joseph during 2017. Using a valuation of \$27.65 per hour, which is a valuation announced by Independent Sector for 2017, less the amount paid in stipends, it is estimated that \$503,820 in additional program expenses would have been incurred during 2017 if not for the services of these volunteers.

Full time volunteers donated 21,286 hours to the Marquard Center and Franciscan House of Mary & Joseph during 2016. Using a valuation of \$27.04 per hour, which is a valuation announced by Independent Sector for 2016, less the amount paid in stipends, it is estimated that \$555,762 in additional program expenses would have been incurred during 2016 if not for the services of these volunteers.

The hourly value of time is based on the average hourly earnings of all non-management, non-agricultural workers as determined by the Bureau of Labor Statistics, with a 12 percent increase to estimate for fringe benefits.

FRANCISCAN OUTREACH

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 8 - SUPPORTING ORGANIZATION

The Fr. Tom Fratus Foundation (Foundation) is a supporting organization of the Organization under Section 509(a)(3) of the Internal Revenue Code (IRC). The purpose of the Foundation is to support the Organization in providing services. The Foundation has its own board of directors. The Foundation raises funds to support the Organization through fundraising events and through active solicitation from individuals and businesses. During 2017 and 2016, the Foundation contributed \$10,000 and \$22,000 to the Organization, respectively.

NOTE 9 - OPERATING LEASES

The Organization is obligated under certain operating leases, primarily for certain office space and office equipment which expire on various dates until 2019.

Total rent expense under all operating leases amounted to approximately \$71,183 and \$67,528 for the years ended December 31, 2017 and 2016, respectively.

The aggregate future minimum lease commitment on these leases as of December 31, 2017 is as follows:

2018	\$	60,565
2019		445

NOTE 10 - TAX STATUS

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the IRC, and accordingly, no provision has been made for either federal or state income taxes.

The Organization has evaluated the tax positions taken for all open tax years. Currently, the 2014, 2015 and 2016 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction.

Based on the evaluation of the Organization's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2017 and 2016.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 23, 2018, the date that the financial statements were available for issue.