



MUELLER & CO., LLP

Certified Public Accountants – Business & Financial Advisors

ASSURANCE

FRANCISCAN OUTREACH
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

MUELLER

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INDEPENDENT AUDITOR'S 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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 Outreach as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, for the year ended December 31, 2018, Franciscan Outreach adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Muller & Co., LLP

Chicago, Illinois
July 30, 2019

FRANCISCAN OUTREACH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 1,892,747	46,386
Grants receivable	196,224	65,482
Contributions receivable	54,018	94,010
Prepaid insurance	14,786	16,872
	2,157,775	222,750
Other assets -		
Property and equipment, net	281,970	459,797
	\$ 2,439,745	682,547

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 23,902	55,147
Accrued expenses and other liabilities	100,666	68,177
	124,568	123,324
Net assets:		
Without donor restrictions	2,312,177	557,093
With donor restrictions	3,000	2,130
	2,315,177	559,223
	\$ 2,439,745	682,547

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Contributions	\$ 708,828	25,958	734,786
Bequests	9,667	-	9,667
Grants	1,367,065	166,448	1,533,513
Special event revenue	247,286	-	247,286
Gain on sale of property and equipment	1,766,883	-	1,766,883
Interest income	706	-	706
	<u>4,100,435</u>	<u>192,406</u>	<u>4,292,841</u>
Donated goods and services	985,034	-	985,034
Net assets released from restrictions	191,536	(191,536)	-
	<u>1,176,570</u>	<u>(191,536)</u>	<u>985,034</u>
Total support and revenue	<u>5,277,005</u>	<u>870</u>	<u>5,277,875</u>
Expenses:			
Program services	2,684,628	-	2,684,628
Administrative expenses	411,219	-	411,219
Fundraising expenses	426,157	-	426,157
	<u>3,522,004</u>	<u>-</u>	<u>3,522,004</u>
Total expenses	3,522,004	-	3,522,004
Realized and unrealized gains on investments	(83)	-	(83)
	<u>3,521,921</u>	<u>-</u>	<u>3,521,921</u>
Total expenses and gains	<u>3,521,921</u>	<u>-</u>	<u>3,521,921</u>
Change in net assets	1,755,084	870	1,755,954
Net assets, beginning of year	<u>557,093</u>	<u>2,130</u>	<u>559,223</u>
Net assets, end of year	<u>\$ 2,312,177</u>	<u>3,000</u>	<u>2,315,177</u>

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Contributions	\$ 651,964	25,510	677,474
Bequests	24,750	-	24,750
Grants	1,004,799	186,650	1,191,449
Special event revenue	252,200	1,500	253,700
Gain on sale of property and equipment	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
	<u>3,119,254</u>	<u>-</u>	<u>3,119,254</u>
Total expenses	3,119,254	-	3,119,254
Realized and unrealized losses on investments	19	-	19
	<u>3,119,273</u>	<u>-</u>	<u>3,119,273</u>
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	514,913	3,571	518,484
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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	HOUSE OF MARY & JOSEPH	MARQUARD CENTER	CASE MANAGEMENT		ADMINISTRATIVE	FUNDRAISING		
Salaries	\$ 675,032	3,204	276,394	954,630	233,623	190,727	424,350	1,378,980
Medical benefits	42,134	-	43,800	85,934	32,319	20,145	52,464	138,398
Other employee benefits	66,589	1,677	27,600	95,866	20,219	20,448	40,667	136,533
Stipends	31,922	33,528	100	65,550	-	-	-	65,550
Professional fees and contract services	9,357	69,568	8,720	87,645	7,835	75,604	83,439	171,084
Food	842,451	41,801	900	885,152	799	141	940	886,092
Supplies	87,433	16,479	963	104,875	2,737	1,000	3,737	108,612
Postage and printing	31	25	151	207	284	760	1,044	1,251
Telephone and internet	10,030	1,551	5,241	16,822	485	5,385	5,870	22,692
Utilities	54,450	29,789	-	84,239	-	-	-	84,239
Rent	64,400	3,467	9,150	77,017	1,733	867	2,600	79,617
Insurance	18,643	22,258	1,822	42,723	2,653	446	3,099	45,822
Property taxes	-	15,942	-	15,942	-	-	-	15,942
Equipment repairs/rental and maintenance	32,323	19,907	4,867	57,097	2,661	2,309	4,970	62,067
Dues and multimedia	-	-	-	-	2,361	4,112	6,473	6,473
Specific assistance	8,644	150	8,000	16,794	-	-	-	16,794
Laundry	4,138	-	-	4,138	-	-	-	4,138
Local travel	14,901	473	-	15,374	1,377	286	1,663	17,037
Conferences and meetings	838	316	900	2,054	466	599	1,065	3,119
Fundraising expenses	-	-	-	-	-	96,441	96,441	96,441
Promotion	-	-	188	188	397	633	1,030	1,218
Full time volunteer expenses	8,155	3,495	-	11,650	2,912	-	2,912	14,562
Interest expense	-	-	-	-	7,822	5,918	13,740	13,740
Depreciation	26,421	34,310	-	60,731	3,935	-	3,935	64,666
Selling expenses	-	-	-	-	84,938	-	84,938	84,938
Miscellaneous	-	-	-	-	1,663	336	1,999	1,999
	<u>\$ 1,997,892</u>	<u>297,940</u>	<u>388,796</u>	<u>2,684,628</u>	<u>411,219</u>	<u>426,157</u>	<u>837,376</u>	<u>3,522,004</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	-
	<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>3,114,441</u>

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

FRANCISCAN OUTREACH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash provided by (applied to) operating activities:		
Change in net assets	\$ 1,755,954	40,739
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation	64,666	73,483
Net realized and unrealized (gains) losses on investments	(83)	19
Gain on sale of property and equipment	(1,766,883)	(510)
Noncash donations	(6,789)	(8,674)
Changes in:		
Grants receivable	(130,742)	69,442
Contributions receivable	39,992	(31,900)
Prepaid expenses	-	6,601
Prepaid insurance	2,086	1,102
Accounts payable	(31,245)	(12,970)
Accrued expenses and other liabilities	32,489	(5,593)
	(40,555)	131,739
Cash provided by (applied to) investing activities:		
Proceeds from sale of investments	6,872	8,655
Proceeds from sale of property and equipment	1,910,225	510
Purchases of property and equipment	(30,181)	-
	1,886,916	9,165
Cash provided by (applied to) financing activities:		
Proceeds from line of credit	639,000	984,000
Payments on line of credit	(639,000)	(1,110,647)
	-	(126,647)
Net increase in cash and cash equivalents	1,846,361	14,257
Cash and cash equivalents, beginning of year	46,386	32,129
Cash and cash equivalents, end of year	\$ 1,892,747	46,386
Noncash investing transactions -		
Contribution of equity securities	\$ 6,789	8,674
Other cash flow information -		
Interest paid	\$ 7,791	14,074

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 Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America.

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	3 - 15 years
Building improvements	10 - 30 years
Buildings	30 years

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets, Continued

Net Assets With Donor Restrictions – Net assets subject to donor-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.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. At December 31, 2018 and 2017, 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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (see Note 8).

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses, Continued

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and utilities, which are allocated on a square footage basis, as well as salaries, benefits, professional services, insurance, telephone and internet, which are allocated on the basis of shared costs. All other expenses are directly identified as benefitting a specific program or supporting service.

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.

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 July 30, 2019 to July 30, 2020.

Change in Accounting Principle – Financial Statement Presentation

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 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 has implemented ASU No. 2016-14 and has adjusted the presentation in these financial statements accordingly.

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. 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, cash flows and related disclosures.

New Accounting Standard – Contributions Received and Made

In June 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update improves the current guidance on determining whether transactions are contributions or exchange transactions. The update also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. ASU No. 2018-08 is effective for resource recipients for annual reporting periods beginning after December 15, 2018 and for resource providers for annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the methods of adoption permitted by ASU No. 2018-08 and the effect that ASU No. 2018-08 is expected to have on its financial position, results of operations, cash flows and related disclosures.

New Accounting Standard – Leases

In February 2016, 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.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Leases, Continued

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, cash flows and related disclosures.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:		
Cash and cash equivalents	\$	1,892,747
Grants receivable		196,224
Contributions receivable		<u>54,018</u>
		2,142,989
Less: amounts not available for general expenditures within one year, due to:		
Net assets with purpose restrictions to be met in less than one year		<u>3,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>2,139,989</u>

The Organization monitors its cash position on a monthly basis. Up until the sale of the Marquard Center (Note 4), the Organization utilized a line of credit for working capital needs. The line of credit was paid off with the building sale. Due to the sale of the building, the Organization now has excess cash reserves and anticipates using these funds for other shelter improvements.

FRANCISCAN OUTREACH

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 10,000	19,500
Buildings	90,000	175,500
Building improvements	1,078,339	2,088,996
Equipment	203,386	179,165
Vehicles	<u>38,092</u>	<u>38,092</u>
	1,419,817	2,501,253
Less accumulated depreciation	(<u>1,137,847</u>)	(<u>2,041,456</u>)
	\$ <u>281,970</u>	<u>459,797</u>

Depreciation expense included in program and support services was \$64,666 and \$73,483 for the years ended December 31, 2018 and 2017, respectively.

As part of a long-term strategy to invest in the capital needs of the shelter, on November 9, 2018, the Organization sold the Marquard Center. The building was temporarily leased back to the Organization through February 2019.

NOTE 5 - LINE OF CREDIT

The Organization had a \$650,000 secured line of credit. In January 2017, the line of credit increased from \$400,000 to \$650,000. The line of credit had been secured by a real estate mortgage and assignment of rents of the Marquard Center. Proceeds from the sale of the Marquard Center were used to pay off the line of credit and resulted in its termination at the end of 2018; there was no outstanding balance on the line of credit at December 31, 2017.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain donor-imposed restrictions which expire upon the passage of time or once specific purposes have been fulfilled. At December 31, 2018 and 2017, net assets with donor restrictions were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Case management	\$ <u>3,000</u>	<u>2,130</u>

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the years ended December 31, 2018 and 2017 because donor restrictions were met by satisfying the stated grant purpose or time or other event, are as follows:

	<u>2018</u>	<u>2017</u>
Case management	\$ 107,430	112,076
Operations - specific site	<u>84,106</u>	<u>103,025</u>
	\$ <u>191,536</u>	<u>215,101</u>

NOTE 8 - 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, 2018 and 2017, respectively, consisted of the following:

	<u>2018</u>	<u>2017</u>
Healthcare services	\$ 36,618	44,882
Legal services	22,701	26,581
Project services	<u>-</u>	<u>12,500</u>
Total donated services	\$ <u>59,319</u>	<u>83,963</u>

The Organization also received \$925,715 and \$928,132 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, 2018 and 2017, respectively.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - IN-KIND CONTRIBUTIONS, CONTINUED

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 18,291 hours to the Marquard Center and Franciscan House of Mary & Joseph during 2018. Using a valuation of \$28.48 per hour, which is a valuation announced by Independent Sector for 2018, less the amount paid in stipends, it is estimated that \$475,791 in additional program expenses would have been incurred during 2018 if not for the services of these volunteers.

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.

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.

NOTE 9 - 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 2018 and 2017, the Foundation contributed \$0 and \$10,000 to the Organization, respectively.

NOTE 10 - OPERATING LEASES

The Organization is obligated under certain operating leases, primarily for certain office space and office equipment which expire on various dates until 2024.

Total rent expense under all operating leases amounted to approximately \$90,449 and \$71,183 for the years ended December 31, 2018 and 2017, respectively. These amounts are allocated between rent, equipment repairs/rental and maintenance and laundry on the statements of functional expenses.

FRANCISCAN OUTREACH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - OPERATING LEASES, CONTINUED

The aggregate future minimum lease commitment on these leases as of December 31, 2018 is as follows:

2019	\$	161,807
2020		59,358
2021		46,860
2022		47,810
2023		48,456
2024		9,583

NOTE 11 - 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 2015, 2016 and 2017 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, 2018 and 2017.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 30, 2019, the date that the financial statements were available for issue.

NOTE 13 - RECLASSIFICATIONS

Certain amounts in the 2017 financial statements have been reclassified to conform with the year 2018 presentation.