BETH-EL CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

BETH-EL CENTER, INC.

CONTENTS

DECEMBER 31, 2018 AND 2017

CRG
CARNEY, ROY AND GERROL, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Beth-El Center, Inc.
Milford, Connecticut

We have audited the accompanying financial statements of Beth-El Center, Inc. (the "Center") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

35 Cold Spring Road, Suite 111 Rocky Hill, Connecticut 06067-3161
Tel: 860.721.5786 ▪ Fax:860.721.5792 ▪ www.crandg.com
INTEGRA INTERNATIONAL®
Your Global Advantage

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beth-El Center, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Beth-El Center, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carney, Roy and Gerrol, P.C.

Rocky Hill, Connecticut
April 24, 2019

BETH-EL CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018, WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 488,533	$ 456,834
Investments	68,822	68,233
Grant and other receivables	26,367	34,350
Prepaid expenses	14,521	15,905
Total current assets	598,243	575,322
PROPERTY AND EQUIPMENT		
Land	54,574	54,574
Building and improvements	1,112,173	1,110,646
Furniture and fixtures	71,438	67,881
Office and computer equipment	28,541	28,541
Vehicles	25,304	25,304
	1,292,030	1,286,946
Less: accumulated depreciation	(850,254)	(799,188)
Net property and equipment	441,776	487,758
	$1,040,019	$1,063,080
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 24,638	$ 29,593
Current portion of long-term debt	10,500	10,500
Deferred grant revenue	14,528	8,264
Total current liabilities	49,666	48,357
Total liabilities	49,666	48,357
NET ASSETS		
Without donor restrictions	795,341	787,802
With donor restrictions	195,012	226,921
Total net assets	990,353	1,014,723
	$1,040,019	$1,063,080

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

BETH-EL CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018, WITH SUMMARIZED
FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
SUPPORT AND REVENUES				
Federal, state and municipal grants	$ 435,527	$ -	$ 435,527	$ 486,903
Contributions, including in-kind of $131,225 and $126,000 in 2018 and 2017, respectively	350,947	19,500	370,447	386,473
Fundraising and special events, net of direct costs of $8,906 and $9,264 in 2018 and 2017, respectively	68,381	-	68,381	73,641
United Way	20,000	-	20,000	20,665
Program fees	2,199	-	2,199	3,306
Investment return and interest	309	-	309	753
Total support and revenues	877,363	19,500	896,863	971,741
NET ASSETS RELEASED FROM RESTRICTIONS	51,409	(51,409)	-	-
EXPENSES				
Program services	772,690	-	772,690	771,908
Management and general	97,445	-	97,445	88,183
Fundraising	51,098	-	51,098	50,384
Total expenses	921,233	-	921,233	910,475
CHANGE IN NET ASSETS	7,539	(31,909)	(24,370)	61,266
NET ASSETS, beginning of year	787,802	226,921	1,014,723	953,457
NET ASSETS, end of year	$ 795,341	$ 195,012	$ 990,353	$ 1,014,723

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

BETH-EL CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018, WITH SUMMARIZED
FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries	$ 361,635	$ 40,752	$ 26,152	$ 428,539	$ 425,155
Employee benefits	25,232	7,047	3,010	35,289	51,936
Office expense	16,538	20,609	5,808	42,955	34,406
Utilities	34,128	3,919	2,521	40,568	40,810
Payroll taxes	31,582	3,535	2,269	37,386	44,045
Depreciation	43,094	4,856	3,116	51,066	52,145
Occupancy	49,121	3,916	1,914	54,951	47,891
Professional fees	45,673	7,781	5,419	58,873	49,620
Insurance	11,921	1,379	889	14,189	14,798
Client services	153,766	3,651	-	157,417	149,669
Total functional expenses	$ 772,690	$ 97,445	$ 51,098	$ 921,233	$ 910,475

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

BETH-EL CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018, WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (24,370)	$ 61,266
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,066	52,145
Investment realized and unrealized losses	521	-
Property and equipment received through grants	-	(33,341)
(Increase) decrease in operating assets:		
Grant and other receivables	7,983	(11,731)
Prepaid expenses	1,384	1,407
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,518	1,045
Deferred lease incentive	-	(1,706)
Deferred grant revenue	6,264	(4,486)
Net cash provided by operating activities	45,366	64,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(68,925)	(170)
Proceeds from investments	67,815	-
Purchase of property and equipment	(12,557)	(1,128)
Net cash used in investing activities	(13,667)	(1,298)
NET INCREASE IN CASH	31,699	63,301
CASH AND CASH EQUIVALENTS, beginning of year	456,834	393,533
CASH AND CASH EQUIVALENTS, end of year	$ 488,533	$ 456,834

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Beth-El Center, Inc. (the "Center") was organized on November 29, 1985 to provide temporary shelter and meals to the homeless and hungry in Milford, Connecticut. Residents are provided case management services and referrals to help them obtain permanent housing, employment and financial assistance. The Center also refers residents to counseling services to address substance abuse and mental health issues, and the soup kitchen serves meals to the hungry. The Center operates the "Meals to Go" program to distribute meals to low income and homeless community members. The Center is supported primarily through government grants and private contributions. Approximately 250 individuals are provided shelter services and over 29,000 meals are served to the greater community per year.

Basis of Presentation

The financial statement presentation of the Center follows generally accepted accounting principles applicable for not-for-profit voluntary health and welfare organizations. Accordingly, the Center is required to report information regarding its financial position and activities according to two classes of net assets based on donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Cash Equivalents and Supplemental Cash Flow Information

For purposes of the statement of cash flows, the Center considers all short-term investments with an original maturity of three months or less to be cash equivalents.

The Center maintains the majority of its cash and investment balances with two local financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2018 and 2017, the Center's uninsured cash balances totaled $74,612 and $112,592, respectively.

The following is supplemental cash flows information: Of the $41,942 of property and equipment acquired during 2017, $33,341 was financed directly by grantors, and $7,473 was acquired through accounts payable that was outstanding as of December 31, 2017.

Donated Materials and Services

The Center receives significant noncash contributions, primarily in the form of donated food items for the soup kitchen. During 2018 and 2017, the Center received noncash contributions with an estimated value of $131,225 and $126,000, respectively.

No amounts have been reflected in the financial statements for donated services. The Center pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Center with its programs and fundraising.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Center has a Cost Allocation Plan. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. These expenses are allocated primarily on the basis of estimates of employee time and effort devoted to each function. The estimates are based on personnel activity reports and employee time studies.

Grant and Other Receivables

Grant and other receivables, which are typically collectible within one year, are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined that all outstanding balances at December 31, 2018 and 2017 are fully collectible.

Income Tax Status

The Internal Revenue Service has determined that the Center is exempt from federal income taxes on exempt function income under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements. The Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Center accounts for uncertainty in income taxes in accordance with FASB ASC 740, *Income Taxes*. The Center files a federal income tax return, which represents the major tax jurisdiction of the Center. Federal tax years 2015 through 2018 remain open for audit under the various statutes of limitations.

Investments

Investments in non-negotiable certificates of deposit are carried at cost plus reinvested interest, which approximates fair market value. Investments in common stock are valued at fair market value, based on market prices for the stock that the broker obtains from independent services.

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at estimated fair value. Depreciation is recorded over the estimated useful lives using the straight-line method. The Center generally capitalizes assets acquired and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in amounts exceeding $1,000.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Recognition of Support and Revenues

Contributions received are recorded as support "without donor restrictions" or "with donor restrictions", depending on the existence and/or nature of any donor restrictions. In accordance with generally accepted accounting principles, support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Performance-based government grants and contracts are considered to be exchange transactions in which the grantor or contractor requires the performance of specific activities. Entitlement to performance-based grant and contract revenue is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Receivables are recorded to the extent that grant expenditures have been incurred and not reimbursed by the grantor. Any amounts received from grantors for services not yet performed during a contract period are reported as deferred grant revenue. The Center submits proposed budgets to the grantors for approval, and is required to adhere to budgets to maintain all funding. Costs are in accordance with approved budgets and management expects that no costs will be subject to disallowance.

Summarized Financial Information for Prior Fiscal Year

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the December 31, 2017 financial statements from which the summarized information was derived.

NOTE 2—MAJOR REVENUE AND SUPPORT

The Center received $190,201, or approximately 21%, and $51,853, or approximately 6%, of its operating revenue and support under cost reimbursement agreements with the State of Connecticut Department of Housing (DOH) and the State of Connecticut Department of Mental Health and Addiction Services (DMHAS), respectively, during 2018. The Center received $196,864, or approximately 20%, and $60,847, or approximately 6%, of its operating revenue and support under cost reimbursement agreements with the State of Connecticut Department of Housing (DOH) and the State of Connecticut Department of Mental Health and Addiction Services (DMHAS), respectively, during 2017. Any significant decrease or elimination of these contracts would have a major adverse impact on the operations of the Center.

NOTE 2—MAJOR REVENUE AND SUPPORT, continued

During 2018, the Center received $94,885, or approximately 11%, of its operating revenue and support from grants and contributions from the City of Milford, Connecticut. During 2017, the Center received $135,981, or approximately 14%, of its operating revenue and support from grants and contributions from the City of Milford, Connecticut. Any significant decrease or elimination of these grants would have a major adverse impact on the operations of the Center.

During 2015, the Center received $150,000 as a contribution from the Norma F. Pfriem Foundation, Inc. The contribution is restricted and $30,000 is to be expended each year through 2019 on food and other necessities. During 2017, the Center received $27,500 as a contribution from the Norma F. Pfriem Foundation, Inc. The contribution is restricted for outplacement assistance and will be used for that purpose.

NOTE 3—LINE OF CREDIT

The Center has a revolving line of credit with a local bank which permits borrowings up to $75,000. The line is secured by certain property and expires in September 2019. Outstanding balances bear interest at the bank's prime rate plus 1% (6.50% and 5.50% at December 31, 2018 and 2017, respectively), and the principal is due and payable on demand. There was no outstanding balance on the line of credit at December 31, 2018 and 2017.

NOTE 4—LONG-TERM DEBT

The Center has a note payable to the Greater New Haven Community Loan Fund for predevelopment expenses related to the construction of an affordable housing project. The note was set to mature in October 2016 or upon receipt of proceeds from the permanent funding source for the project. The loan may be extended for twelve months by the lender if the project financing is delayed and may be forgiven at the discretion of the lender if the project is not able to proceed. The note bears no interest. The balance outstanding was $10,500 at December 31, 2018 and 2017.

Estimated future annual maturities of long-term debt are as follows:

2019	$ 10,500

NOTE 5—NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor-restricted for the following purposes:

	2018	2017
Food and other necessities	$ 58,540	$ 71,848
"Meals to Go" program	30,571	33,678
Capital reserve	50,000	50,000
Facility improvements	18,473	33,852
Program supplies	-	1,283
Furniture and equipment	3,976	5,326
Children's services	1,000	1,000
Outplacement assistance	21,384	24,934
Educational opportunities	1,651	5,000
Shelter	9,417	-
	$ 195,012	$ 226,921

NOTE 6—EMPLOYEE BENEFIT PLAN

The Center has an employee savings 403(b) plan that covers substantially all employees. There is no matching provision under this plan.

NOTE 7—OPERATING LEASES

The Center has a 60-month noncancelable operating lease for a printer-copier machine that expires in April of 2021. Monthly payments of $272 are required. If at the end of the lease period the Center does not exercise the option to purchase the machine at fair market value or return the machine, the lease will renew for a one-year period. Rental expenses for this lease, including taxes and fees, amounted to $3,195 and $4,068 for the years ended December 31, 2018 and December 31, 2017, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2018 , are:

Year ending December 31:	
2019	$ 3,264
2020	3,264
2021	1,088
	$ 7,616

NOTE 8—LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Beth-El Center is supported by donor-restricted contributions. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Center must maintain sufficient resources to meet its responsibilities to its donors. Thus, certain financial assets may not be available for general expenditures within one year of December 31, 2018 and 2017.

Beth-El Center's financial assets generally include cash and cash equivalents, investments, grants receivable, and other amounts receivable. The following reflects the Center's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2018	2017
Cash and cash equivalents	$ 488,533	$ 456,834
Investments	68,822	68,233
Grant and other receivables	26,367	34,350
Financial assets at year-end	583,722	559,417
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(195,012)	(226,921)
Financial assets available to meet cash needs for general expenditure within one year	$ 388,710	$ 332,496

As part of the Center's liquidity management, it invests cash in excess of daily requirements in savings accounts and short-term investments, typically certificates of deposit. The Center also has a revolving line of credit available, as mentioned in Note 3.

NOTE 9—NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities.* Beth-El Center has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the summarized comparative information presented for the prior year. The new standards change the following aspects of Beth-El Center's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8) and an expanded disclosure about the functional allocation of expenses (Note 1).

NOTE 10—INVESTMENTS

The total value of investments as of December 31, 2018, is as follows:

	Fair Value (Level 1)	Fair Value (Level 2)	Total
Certificate of deposit and brokerage funds:			
Maturity 1-5 years	$ 379	$ 67,702	$ 68,081
Common stock	741	-	741
	$ 1,120	$ 67,702	$ 68,822

The total value of investments as of December 31, 2017, is as follows:

	Fair Value (Level 1)	Fair Value (Level 2)	Total
Certificate of deposit:			
Maturity 1-5 years	$ -	$ 68,233	$ 68,233
	$ -	$ 68,233	$ 68,233

NOTE 11—FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access;

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Certificates of deposit: Valued at cost, which approximates fair market value.

Common stock: Valued at fair market value, based on market prices for the stock that the broker obtains from independent services

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center 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 value measurement at the reporting date.

NOTE 12—SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 24, 2019, which is the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.