

**BETH-EL CENTER, INC.**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**BETH-EL CENTER, INC.**  
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**DECEMBER 31, 2016 AND 2015**

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# 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, 2016, 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.

## **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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carneg, Roy and Dvorak, P.C.*

Rocky Hill, Connecticut  
May 11, 2017

**BETH-EL CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 393,533	\$ 405,299
Investments	68,063	67,884
Grant and other receivables	22,619	7,357
Prepaid expenses	17,312	12,519
<b>Total current assets</b>	<u>501,527</u>	<u>493,059</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	54,574	54,574
Building and improvements	1,076,176	1,073,576
Furniture and fixtures	110,049	110,049
Office and computer equipment	41,423	41,423
Vehicles	25,304	25,304
	<u>1,307,526</u>	<u>1,304,926</u>
Less: accumulated depreciation	<u>(809,565)</u>	<u>(753,180)</u>
<b>Net property and equipment</b>	<u>497,961</u>	<u>551,746</u>
	<u>\$ 999,488</u>	<u>\$ 1,044,805</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 21,075	\$ 20,389
Current portion of long-term debt	10,500	10,500
Deferred grant revenue	12,750	9,271
Deferred lease incentive	1,706	-
<b>Total current liabilities</b>	<u>46,031</u>	<u>40,160</u>
<b>Total liabilities</b>	<u>46,031</u>	<u>40,160</u>
<b>NET ASSETS</b>		
Unrestricted	701,333	716,633
Temporarily restricted	252,124	288,012
<b>Total net assets</b>	<u>953,457</u>	<u>1,004,645</u>
	<u>\$ 999,488</u>	<u>\$ 1,044,805</u>

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

**BETH-EL CENTER, INC.**

**STATEMENTS OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2016 WITH SUMMARIZED  
FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>SUPPORT AND REVENUES</b>				
Federal, state and municipal grants	\$ 472,052	-	\$ 472,052	\$ 401,436
Contributions, including in-kind of \$107,000 and \$111,500 in 2016 and 2015, respectively	287,257	8,250	295,507	454,251
Fundraising and special events, net of direct costs of \$6,655 and \$11,093 in 2016 and 2015, respectively	58,509	-	58,509	54,973
United Way	18,335	-	18,335	20,000
Program fees	3,812	-	3,812	2,864
Other	<u>757</u>	<u>-</u>	<u>757</u>	<u>831</u>
<b>Total support and revenues</b>	<u>840,722</u>	<u>8,250</u>	<u>848,972</u>	<u>934,355</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>44,138</u>	<u>(44,138)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program services	749,101	-	749,101	767,238
Management and general	90,180	-	90,180	80,036
Fundraising	<u>60,879</u>	<u>-</u>	<u>60,879</u>	<u>41,768</u>
<b>Total expenses</b>	<u>900,160</u>	<u>-</u>	<u>900,160</u>	<u>889,042</u>
<b>CHANGE IN NET ASSETS</b>	<u>(15,300)</u>	<u>(35,888)</u>	<u>(51,188)</u>	<u>45,313</u>
<b>NET ASSETS, beginning of year</b>	<u>716,633</u>	<u>288,012</u>	<u>1,004,645</u>	<u>959,332</u>
<b>NET ASSETS, end of year</b>	<u>\$ 701,333</u>	<u>\$ 252,124</u>	<u>\$ 953,457</u>	<u>\$ 1,004,645</u>

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

**BETH-EL CENTER, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2016 WITH SUMMARIZED  
FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries	\$ 358,932	\$ 40,734	\$ 27,036	\$ 426,702	\$ 404,967
Employee benefits	46,390	7,681	3,799	57,870	60,313
Office expense	13,483	13,209	5,694	32,386	33,926
Utilities	32,945	3,889	2,576	39,410	38,596
Payroll taxes	37,932	4,230	2,834	44,996	45,342
Depreciation	46,923	5,649	3,813	56,385	58,111
Occupancy	33,060	2,309	1,399	36,768	43,651
Professional fees	41,527	8,371	12,379	62,277	53,028
Interest expense	155	377	397	929	2,552
Insurance	12,224	1,410	952	14,586	14,089
Client services	125,530	2,321	-	127,851	134,467
<b>Total functional expenses</b>	<u>\$ 749,101</u>	<u>\$ 90,180</u>	<u>\$ 60,879</u>	<u>\$ 900,160</u>	<u>\$ 889,042</u>

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

**BETH-EL CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (51,188)	\$ 45,313
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,385	58,111
(Increase) decrease in operating assets:		
Grant and other receivables	(15,262)	33,490
Prepaid expenses	(4,793)	(1,450)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	686	447
Deferred lease incentive	1,706	-
Deferred grant revenue	3,479	3,456
	<u>(8,987)</u>	<u>139,367</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(179)	(203)
Purchase of property and equipment	(2,600)	(7,462)
	<u>(2,779)</u>	<u>(7,665)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowing (payments) on short-term notes payable	-	(67,106)
Payments on long-term debt	-	(11,245)
	<u>-</u>	<u>(78,351)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(11,766)	53,351
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>405,299</u>	<u>351,948</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 393,533</u>	<u>\$ 405,299</u>

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



**BETH-EL CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**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 200 individuals are provided shelter services and over 20,000 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 three classes of net assets based on donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Center had no permanently restricted net assets at December 31, 2016 and 2015.

*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 one local financial institution. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016 and 2015, the Center’s uninsured cash balances totaled \$73,570 and \$73,443, respectively.

The following is supplemental cash flows information: cash paid for interest in 2016 and 2015 totaled \$929 and \$2,553, respectively.

*Donated Materials and Services*

The Center receives significant noncash contributions, primarily in the form of donated food items for the soup kitchen. During 2016 and 2015, the Center received noncash contributions with an estimated value of \$107,000 and \$111,500, 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.

**BETH-EL CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**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.

*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, 2016 and 2015 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 2013 through 2016 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. Interest income for the years ended December 31, 2016 and 2015 totaled \$734 and \$814, respectively.

*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.

*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.

**BETH-EL CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*Recognition of Support and Revenues*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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 unrestricted net assets 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 temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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, 2015 financial statements from which the summarized information was derived.

**NOTE 2—MAJOR REVENUE AND SUPPORT**

The Center received \$198,334, or approximately 23%, and \$62,335, or approximately 7%, 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 2016. The Center received \$197,561, or approximately 21%, and \$55,125, 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 2015. Any significant decrease or elimination of these contracts would have a major adverse impact on the operations of the Center.

**BETH-EL CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2—MAJOR REVENUE AND SUPPORT, continued**

During 2016, the Center received \$110,432, or approximately 13%, of its operating revenue and support from grants and contributions from the City of Milford, Connecticut. During 2015, the Center received \$84,526, or approximately 9%, 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.

**NOTE 3—SHORT-TERM NOTES PAYABLE**

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 June 2017. Outstanding balances bear interest at the bank's prime rate plus 1% (4.75% and 4.50% at December 31, 2016 and 2015, respectively), and the principal is due and payable on demand. There was no outstanding balance on the line of credit at December 31, 2016 and 2015.

**NOTE 4—LONG-TERM DEBT**

The Center had a mortgage note payable to a local bank that was secured by its facility and was paid in full in 2015. The loan was payable at a rate of 3.375% in monthly installments of \$3,797. The interest rate varied to 2.75% above average yield on certain U.S. Treasury securities.

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 matures 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, 2016 and 2015.

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

2017	\$ 10,500
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**BETH-EL CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5—TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were donor-restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Food and other necessities	\$ 109,321	\$ 120,000
“Meals to Go” program	41,269	50,445
Capital reserve	50,000	50,000
Facility improvements	34,060	36,660
Program supplies	1,283	14,820
Furniture and equipment	5,326	8,938
Employment services	1,715	6,149
Children’s services	1,000	1,000
Neighbor to Neighbor client needs	8,150	-
	<u>\$ 252,124</u>	<u>\$ 288,012</u>

**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 \$2,464 for the year ended December 31, 2016.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2016 , are:

Year ending December 31:	
2017	\$ 3,264
2018	3,264
2019	3,264
2020	3,264
2021	<u>1,088</u>
	<u>\$ 14,144</u>

**BETH-EL CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**NOTE 8—SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 11, 2017, which is the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.