Meetings Purpose
- Communicate Audit Results
- Financial Highlights
- Other Communications

Audit Results

Unmodified Audit Opinion
Significant Deficiencies or Material Weaknesses in Internal Control Over Financial Reporting
- None reported

Single Audit Findings
- None reported

Responsibilities
- Management, board, auditors

Significant Transactions / Other
- Construction of Ozanam Village Phase I complete

Audit Adjustments
- To record $2.4M in construction in progress and related debt
- To reclassify $3.2M of construction in progress to property & equipment and related depreciation expense
- To reclassify $180K of contribution revenue that was recorded directly to net assets
- To accrue $336K of invoices received after year end on construction in progress
- To record discount on 0% debt ($1.2M) as a contribution and related accretion of current year discount
- To reclassify temporarily restricted net assets and current debt for financial statement presentation purposes
- To adjust amortization of loan costs ($2.6K)
- To record several entries prepared by management during the audit: fence repair expense, gain on investments, vehicle loans originally recorded as operating leases, and revenue and inventory adjustment for bed sales in September
- To record invoices received after year end and related expense ($13K)

Management’s Judgments / Accounting Estimates
- Collectability of receivables
- Fair value of investments
- Fair value of donated property, inventory, and food
- Depreciable lives of property and equipment
- Discount rates on long-term debt
- Allocation of functional expenses

Communicate Audit Results
Financial Highlights
Other Communications

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Financial Highlights and Trends

Statement of Financial Position

Revenue and Support by Sources

Functional Expenses

Change in Net Assets

Days Cash on Hand
NOT-FOR-PROFIT REPORTING CHANGES (ASU 2016-14)

Effective fiscal year ending September 30, 2019

Changes to Net Assets
- Classifications
  - Temporarily Restricted
  - Permanently Restricted
  - Unrestricted
  - With Donor Restrictions
  - Without Donor Restrictions

Disclosures
- With Donor Restrictions
  - Purpose
  - Time
  - Permanent
- Board Designated Restrictions
  - Includes internal management
  - Classified as without donor restrictions

No change to IRS Form 990

Transparency and Utility of Liquidity Information Example

Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

<table>
<thead>
<tr>
<th>2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Cash</td>
<td>$100,816</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>$376,412</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$477,228</td>
</tr>
</tbody>
</table>

The Organization manages its liquidity and reserves following three guiding principles: Operating within a realistic budget, maintaining adequate liquid assets, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Expense Reporting
- Statement of functional expenses required with enhanced disclosures
  - Clarified guidance on how to allocate expenses
  - Additional disclosures will be required to inform the user of the financial statements how expenses are allocated.
  - The following is an example of such disclosure:

The financial statements report certain categories of expenses that are attributed 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 equipment rental and maintenance, telephone, supplies, office and postage, insurance, building expenses, and depreciation, which are allocated based on square footage, as well as salaries, wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

REVENUE FROM CONTRACTS WITH CUSTOMERS (ASU 2014-09; 2018-08)

Effective fiscal year ending September 30, 2020

In broad strokes, the ASU creates uniform standards for recognizing revenue for all entities and creates a flowchart for recognition of revenue.

ACCOUNTING FOR LEASES (ASU 2016-02)

Effective fiscal year ending September 30, 2021

Accounting treatment of leases under the new ASU is as follows:

- If a revenue source falls under ASC 606, the following flow chart is used for recognition of revenue:

  1. Identify the contract
  2. Identify performance obligations
  3. Determine transaction price
  4. Allocate transaction price
  5. Recognize revenue

- Operating Lease
  - Right-of-use asset > Lease liability
  - > Amortization expense
    - > Interest expense
    - > Cash paid for principal and interest payments

- Finance Lease
  - Right-of-use asset > Lease liability
  - > Single lease expense on a straight-line basis
  - > Cash paid for lease payments

This presentation is intended solely for the information and use of management and the Board of Directors.