

Westminster Neighborhood Services, Inc.

FINANCIAL STATEMENTS

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

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L. M. HENDERSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS

Westminster Neighborhood Services, Inc.

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December 31, 2019 and December 31, 2018

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Independent Accountant's Review Report

To the Board of Directors of
Westminster Neighborhood Services, Inc.
Indianapolis, Indiana 46201

We have reviewed the accompanying financial statements of Westminster Neighborhood Services, Inc. (an Indiana nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed Westminster Neighborhood Services, Inc.'s 2018 financial statements and in our conclusion dated August 23, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

Effect of New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended December 31, 2019. The requirements of ASU 2014-09 and ASU 2018-08 have been applied retrospectively to all periods presented. Our conclusion is not modified with respect to this matter.



Certified Public Accountants
Indianapolis, Indiana

August 21, 2020

Westminster Neighborhood Services, Inc.

Statement of Financial Position

at December 31, 2019 with Comparative Totals at December 31, 2018

	December 31, 2019	December 31, 2018
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Operating	\$ 17,520	\$ 7,655
Reserve	1,520	2,571
Construction loan checking	211	6,768
Cash - restricted - Note 10	5,294	54,002
Total cash	<u>24,545</u>	<u>70,996</u>
Pledges receivable - current - Note 4	40,000	47,353
Contributions receivable	-	21,150
Rent receivable	-	1,370
Prepaid expenses	4,211	-
Inventory - Note 8	4,493	5,006
Deferred finance charges, net - Note 6	16,878	-
Total current assets	<u>90,127</u>	<u>145,875</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture and equipment	173,114	143,363
Vehicles	81,300	81,300
Building and improvements	2,986,854	2,986,854
	<u>3,241,268</u>	<u>3,211,517</u>
Less: Accumulated depreciation	509,729	405,243
	<u>2,731,539</u>	<u>2,806,274</u>
Land	325,540	325,540
Total property and equipment	<u>3,057,079</u>	<u>3,131,814</u>
Pledges receivable - noncurrent - net of discount - Note 4	39,075	58,005
Total long term assets	<u>3,096,154</u>	<u>3,189,819</u>
Total assets	<u>\$ 3,186,281</u>	<u>\$ 3,335,694</u>

Westminster Neighborhood Services, Inc.

Statement of Financial Position

at December 31, 2019 with Comparative Totals at December 31, 2018

	December 31, 2019	December 31, 2018
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 8,117	\$ 9,172
Accrued payroll	9,283	8,184
Accrued interest payable	5,742	6,763
Notes payable - current portion - Note 5	35,409	-
Total current liabilities	<u>58,551</u>	<u>24,119</u>
<u>LONG-TERM LIABILITIES:</u>		
Notes payable - Note 5	1,450,069	1,471,092
Less: Current portion	35,409	-
Total long-term liabilities	<u>1,414,660</u>	<u>1,471,092</u>
Total liabilities	<u>1,473,211</u>	<u>1,495,211</u>
<u>NET ASSETS:</u>		
Without restrictions	1,628,701	1,757,588
With restrictions - Note 3	84,369	82,895
Total net assets	<u>1,713,070</u>	<u>1,840,483</u>
Total liabilities and net assets	<u>\$ 3,186,281</u>	<u>\$ 3,335,694</u>

Westminster Neighborhood Services, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	Year Ended December 31, 2019			Totals for the
	Without Restrictions	With Restrictions	Total	Year Ended December 31, 2018
REVENUE AND OTHER SUPPORT:				
Foundation	\$ 161,101	\$ 3,392	\$ 164,493	\$ 186,011
Corporations/business	49,324	-	49,324	29,973
Religious	202,901	-	202,901	190,498
Individual donors	122,773	-	122,773	161,550
Tuition	1,305	-	1,305	700
In-kind donations - Note 13	281,836	-	281,836	254,099
Government	22,628	-	22,628	93,546
Special events, net of expenses of \$4,928 and \$3,754 at December 31, 2019 and December 31, 2018	56,902	-	56,902	33,469
	<u>898,770</u>	<u>3,392</u>	<u>902,162</u>	<u>949,846</u>
Interest income	21	-	21	16
Rental income	25,045	-	25,045	22,140
Miscellaneous income	1,688	-	1,688	994
	<u>925,524</u>	<u>3,392</u>	<u>928,916</u>	<u>972,996</u>
Total revenue and other support				
Net assets released from restrictions	1,918	(1,918)	-	-
	<u>927,442</u>	<u>1,474</u>	<u>928,916</u>	<u>972,996</u>
Total revenue and other support and net assets released from restrictions				
EXPENSE AND OTHER SUPPORT:				
Program expenses - Note 11	805,735	-	805,735	777,061
Support services - Note 11	250,594	-	250,594	207,956
	<u>1,056,329</u>	<u>-</u>	<u>1,056,329</u>	<u>985,017</u>
Total expense and other support	1,056,329	-	1,056,329	985,017
CHANGES IN NET ASSETS				
	<u>\$ (128,887)</u>	<u>\$ 1,474</u>	<u>\$ (127,413)</u>	<u>\$ (12,021)</u>
NET ASSETS:				
Net assets, beginning of year	\$ 1,757,588	\$ 82,895	\$ 1,840,483	\$ 1,852,504
Add: Changes in net assets	(128,887)	1,474	(127,413)	(12,021)
Net assets, end of year	<u>\$ 1,628,701</u>	<u>\$ 84,369</u>	<u>\$ 1,713,070</u>	<u>\$ 1,840,483</u>

Westminster Neighborhood Services, Inc.

Statement of Cash Flows

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	December 31, 2019	December 31, 2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (127,413)	\$ (12,021)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	104,486	104,940
Loss on disposal of assets	-	413
Changes in other assets and liabilities:		
(Increase) decrease in pledges receivable	26,283	(52,336)
Decrease in contributions receivable	21,150	20,081
Decrease in rent receivable	1,370	630
(Increase) decrease in prepaid expenses	(4,211)	2,876
(Increase) decrease in inventory	513	(210)
Increase in deferred financing charges	(16,878)	-
Decrease in accounts payable	(1,055)	(4,438)
Increase in accrued payroll	1,099	1,814
Increase (decrease) in accrued interest payable	(1,021)	2,978
Total adjustments	<u>131,736</u>	<u>76,748</u>
Net cash provided by operating activities	<u>4,323</u>	<u>64,727</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Capital expenditures	(29,751)	(17,847)
Net cash used in investing activities	<u>(29,751)</u>	<u>(17,847)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal payments on notes payable	(21,023)	-
Net cash used in financing activities	<u>(21,023)</u>	<u>-</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	(46,451)	46,880
<u>CASH:</u>		
Balance, beginning of year	70,996	24,116
Balance, end of year	<u>\$ 24,545</u>	<u>\$ 70,996</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	\$ 83,284	\$ 68,186

SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES:

During the year ended December 31, 2018, equipment with a cost basis of \$4,960 and accumulated depreciation of \$4,547, was disposed of, resulting in a loss of \$413.

Westminster Neighborhood Services, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	Program Services		Support Services		Total Functional Expenses for the Year Ended	
	Youth Services	Family & Adult Services	Management & General	Fundraising	December 31, 2019	December 31, 2018
Wages	\$ 140,377	\$ 88,928	\$ 82,228	\$ 88,746	\$ 400,279	\$ 368,062
Food	28,368	255,315	-	-	283,683	263,687
Depreciation	47,019	47,019	5,224	5,224	104,486	104,940
Interest expense	-	82,460	2,170	2,170	86,800	74,949
Professional fees	-	-	34,750	-	34,750	9,422
Supplies	14,832	13,572	-	-	28,404	42,015
Technology	6,957	6,958	7,336	5,066	26,317	27,281
Utilities	12,974	12,974	-	-	25,948	31,232
Building and grounds	11,021	8,687	-	-	19,708	13,361
Insurance	5,203	5,203	3,967	3,967	18,340	23,404
Program partner	9,263	-	-	-	9,263	8,615
Other personnel costs	1,605	708	4,078	708	7,099	5,242
Telephone	820	820	820	820	3,280	3,336
Office supplies	182	240	1,080	1,003	2,505	2,304
Transportation	1,098	1,099	-	-	2,197	3,184
Other facility costs	566	566	-	-	1,132	740
Field trip fees	849	-	-	-	849	2,094
Product costs	-	-	-	630	630	-
Bank fees	-	-	573	-	573	260
Licensing	26	26	-	-	52	152
Volunteer appreciation	-	-	34	-	34	34
Miscellaneous expense	-	-	-	-	-	264
Loss on disposal of assets	-	-	-	-	-	413
Public engagement	-	-	-	-	-	26
	<u>\$ 281,160</u>	<u>\$ 524,575</u>	<u>\$ 142,260</u>	<u>\$ 108,334</u>	<u>\$ 1,056,329</u>	<u>\$ 985,017</u>

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by Westminster Neighborhood Services, Inc. (Organization) are listed below:

- (a) The Westminster Neighborhood Services, Inc. was founded to serve the families and children in the near eastside neighborhood of Indianapolis by providing needed services to all members of the family, developing partnerships, and teaching families and children to become more self-sustaining. The Organization was incorporated on September 17, 2013.

- (b) **Adoption of New Accounting Pronouncements**

For the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This standard creates a single framework for recognizing revenue from contracts with customers and donors that fall within the scope of the standard. It is not typical for contracts to require significant judgment to determine the revenue from contracts with donors. See Note 16 for additional information.

The Organization adopted Topic 606 using the full retrospective method applied to all contracts not completed as of January 1, 2018. Results for reporting periods beginning after adoption are presented under Topic 606. The adoption of this standard did not have a material impact on the measurement, timing, or recognition of revenue. Accordingly, no cumulative effect adjustment to opening net assets was deemed necessary.

For the year ended December 31, 2019, the Organization also adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Adoption of this standard had no effect on change in net assets or net assets in total.

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (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 net asset classes outlined in ASU 2016-14 are those presented in these financial statements. Amounts previously reported as "unrestricted net assets" are now reported as "net assets without restrictions" and amounts previously reported as "temporarily restricted net assets" and "permanently restricted net assets," if applicable, are now reported as "net assets with restrictions."

- (c) Assets and liabilities and revenue and expense are recognized on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as net assets without restrictions; net assets that are not subject to donor-imposed stipulations, and net assets with restrictions-net assets that are subject to donor-imposed stipulations. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the year in which the contributions are recognized.

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (d) Depreciable assets are recorded at cost. The Organization's policy is to capitalize property and equipment acquisitions in excess of \$1,000. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful lives of the respective assets. Depreciation for the year ended December 31, 2019 and December 31, 2018 was \$104,486 and \$104,940, respectively.
- (e) For purposes of the statement of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.
- (f) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (g) Maintenance and repairs of property and equipment which do not extend the useful lives of the assets are expensed as incurred.
- (h) The Organization maintains cash balances with financial institutions which may exceed the Federal Deposit Insurance Corporation limit of \$250,000.
- (i) Pledges receivable are stated at fair value upon receipt. If necessary, 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 the pledges receivable. 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 pledges receivable. Pledges are deemed to be 100% collectible. See Note 4.
- (j) Certain 2018 amounts have been reclassified to conform to 2019 presentation.
- (k) Management has evaluated subsequent events through August 21, 2020, the date the financial statements were available to be issued.

Note 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available for general expenditures within one year of the Statement of Financial Position date are as follows:

Cash	\$ 24,545
Pledges receivable	<u>79,075</u>
Financial assets, at year end	103,620
Less financial assets unavailable for general expenditures within one year:	
Cash - restricted	5,294
Pledges receivable - collectible beyond one year	<u>39,075</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,251</u>

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 3: NET ASSETS WITH RESTRICTIONS

The Organization received donations designated to be used for projects in future periods. The net assets with restrictions were restricted for the following purposes at December 31, 2019 and December 31, 2018:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Programs	\$ 82,467	\$ 70,000
Endowment	<u>1,902</u>	<u>12,895</u>
Total net assets with restrictions	<u>\$ 84,369</u>	<u>\$ 82,895</u>

Net assets with restrictions for an endowment are held in a savings account at Chase Bank. The balance consists primarily of donations to the endowment fund plus earnings on those donations. The Organization intends to grow the endowment through contributions and income and use the income earned for current and future needs. Interest earned on the endowment for the year ended December 31, 2019 and December 31, 2018 was \$3 and \$-0-, respectively.

Note 4: PLEDGES RECEIVABLE

Pledges receivable are measured at fair value upon receipt. If a pledge is not expected to be collected within one year, it is discounted to its estimated fair value using a present value technique. The fair value of a pledge that is collectible within one year is its net realizable value. Unconditional pledges receivable at December 31, 2019 and December 31, 2018 are as follows:

Pledges expected to be collected:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Less than 1 year	\$ 40,000	\$ 47,353
1 to 5 years	<u>40,000</u>	<u>60,000</u>
Total pledges receivable	80,000	107,353
Less: Present value discount	<u>925</u>	<u>1,995</u>
Net unconditional pledges receivable	<u>\$ 79,075</u>	<u>\$ 105,358</u>

Pledges receivable at December 31, 2019 and December 31, 2018 consisted of restricted pledges of \$79,075 and \$93,358 for afterschool programs along with \$-0- and \$12,000 for pantry services, respectively.

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 5: NOTES PAYABLE

At December 31, 2019 and December 31, 2018, the Organization was obligated on the following notes payable:

	December 31, <u>2019</u>	December 31, <u>2018</u>
Construction loan to Farmers Bank, due in one lump sum payment on January 1, 2019, with accrued interest payments at the current rate of 3.50% due monthly on the unpaid balance, secured by the real estate and all assets related to the real estate, including capital campaign pledge receivables (see Note 4). This note was extended to February 1, 2024, with monthly installments of \$6,924 for principal and interest at the current rate of 5.5% per annum, and one irregular last balloon payment.	\$ 978,977	\$ 1,000,000
Construction loan to Farmers Bank, due in one lump sum payment on January 1, 2019, with accrued interest payments at the current rate of 3.50% due monthly on the unpaid balance, secured by the real estate and all assets related to the real estate, including capital campaign pledge receivables (see Note 4) along with personal guarantees. This note was superseded with two new agreements on January 31, 2019. See below.	-	471,092
Construction loan to Farmers Bank, due in one lump sum payment on February 1, 2022, with accrued interest payments at the current rate of 5.50% due monthly on the unpaid balance, secured by the real estate and all assets related to the real estate, including capital campaign pledge receivables (see Note 4) along with personal guarantees.	235,546	-
Construction loan to Farmers Bank, due in one lump sum payment on February 1, 2022, with accrued interest payments at the current rate of 5.50% due monthly on the unpaid balance, secured by the real estate and all assets related to the real estate, including capital campaign pledge receivables (see Note 4) along with personal guarantees.	<u>235,546</u>	<u>-</u>
	1,450,069	1,471,092
Less: Current portion	<u>35,409</u>	<u>-</u>
Total long-term notes payable	<u>\$ 1,414,660</u>	<u>\$ 1,471,092</u>

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 5: NOTES PAYABLE (continued)

Future principal payments are as follows as of December 31, 2019:

<u>December 31,</u>	<u>Amount</u>
2020	\$ 35,409
2021	52,791
2022	525,650
2023	56,383
2024	<u>779,836</u>
Total	<u>\$ 1,450,069</u>

Note 6: DEFERRED FINANCE CHARGES

During the year ended December 31, 2019, the Organization incurred \$21,415 in finance charges relating to the construction loans with Farmer's Bank. These finance charges will be amortized and charged to interest expense over the life of the loans. For the years ended December 31, 2019 and December 31, 2018, deferred finance charges of \$4,537 and \$-0-, respectively, were charged to interest expense.

Note 7: OPERATING LEASE COMMITMENTS

The Organization has an operating lease for computer equipment for its employees. The total rental expense was \$7,428 and \$13,875 for the years ended December 31, 2019 and December 31, 2018, respectively.

At December 31, 2019, the Organization was obligated under operating leases for future minimum lease payments as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 1,153
2021	<u>961</u>
Total	<u>\$ 2,114</u>

Note 8: INVENTORY

Inventory is valued at lower of cost (first-in, first-out method) or market. At December 31, 2019 and December 31, 2018, inventory consisted of the following:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Food pantry items	<u>\$ 4,493</u>	<u>\$ 5,006</u>

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 9: RENTAL INCOME

The Organization leases a portion of office space in its building to three unrelated 501(c)(3) organizations. In July 2017, the Organization entered into a lease based on time that the space is used at a rate of \$100 per hour. This lease expires on July 1, 2020. A second lease was entered into on February 1, 2019 at a rate of \$999 per month and expires on February 1, 2021. A third lease is for space at a rate of \$40 on a month to month basis.

Minimum future rental payments to be received under non-cancellable operating leases as of December 31, 2019 are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 11,988
2021	<u>999</u>
Total	<u>\$ 12,987</u>

Note 10: RESTRICTED CASH

For the year ended December 31, 2019 and December 31, 2018, the Organization had restricted cash as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Grants	\$ 3,392	\$ 41,103
Endowment	<u>1,902</u>	<u>12,899</u>
Total restricted cash	<u>\$ 5,294</u>	<u>\$ 54,002</u>

Note 11: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to a program or supporting function. Therefore, expenses require allocations on a reasonable basis that is consistently applied. Depreciation expense was allocated based on the usage of the building. The remaining expenses were allocated based on an estimate of time and effort.

Program service expense was \$805,735 and \$777,061 for the years ended December 31, 2019 and December 31, 2018, respectively. Total support service expense was \$250,594 and \$207,956, which comprised of fundraising of \$108,834 and \$98,907 for the years ended December 31, 2019 and December 31, 2018, respectively.

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 12: CONCENTRATION OF REVENUE

A substantial portion of the Organization's contributions were generated from two organizations during the year ended December 31, 2019. During the year ended December 31, 2019, contributions from these organizations amounted to \$217,394 and represented approximately 24% of total donations. The Organization had receivables from these organizations of \$-0- at December 31, 2019.

A substantial portion of the Organization's contributions were generated from two organizations during the year ended December 31, 2018. During the year ended December 31, 2018, contributions from these organizations amounted to \$222,940 and represented approximately 23% of total donations. The Organization had receivables from these organizations of \$-0- at December 31, 2018.

Note 13: IN-KIND REVENUE

During the year ended December 31, 2019, the Organization received \$281,836 in in-kind donations, which were used for professional fees and program services and reported as professional fees and program expenses in the statement of activities and changes in net assets.

During the year ended December 31, 2018, the Organization received \$254,099 in in-kind donations, which were used for professional fees and program services and reported as professional fees and program expenses in the statement of activities and changes in net assets.

Note 14: TAX STATUS

The Organization has been determined by the Internal Revenue Service, from a letter received on July 31, 2014, to be tax exempt under Section 501(c)(3) of the Internal Revenue Code. Management evaluates all tax positions taken or expected to be taken on its annual information returns, including the position that the Organization continues to qualify to be treated as a Section 501(c)(3) organization for both federal and state purposes. For the years ended December 31, 2019 and December 31, 2018, management does not feel it has taken any tax positions that would not be sustained under examination. Therefore, no interest or penalties have been accrued or charged to expense as of December 31, 2019 and December 31, 2018 and for the years then ended. The annual information returns for the Organization are subject to examination by taxing authorities for a period of three years from the date they are filed.

Note 15: SUBSEQUENT EVENT

In March 2020, the World Health Organization identified an outbreak of a novel strain of coronavirus (COVID-19) as a global pandemic and the President of the United States declared the outbreak a national emergency. The Organization continued to operate despite the pandemic, but did need to cancel its annual fundraising event as a result. The Organization currently does not anticipate any staff reductions or other major changes in operations as a result of the pandemic. The potential economic impact brought by, and the duration of, COVID-19 is difficult to assess or predict and will depend on future developments that are highly uncertain and cannot be predicted.

Westminster Neighborhood Services, Inc.

Notes to Financial Statements

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

Note 15: SUBSEQUENT EVENT (continued)

Subsequent to year end, the Organization applied and was approved for an \$80,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Note 16: REVENUE AND REVENUE RECOGNITION

The Organization's revenue in the scope of Topic 606 is recognized within revenue and other support in the statement of activities and changes in net assets. The adoption of Topic 606 did not have a material impact on the financial position, activities, net assets, or cash flows. A description of the Organization's revenue sources within the scope of Topic 606 is provided below.

Pledges and contributions - The Organization recognizes contributions and donations when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Donors include foundations, corporations and other businesses, religious organizations, individuals, and governmental contributors. During the years ended December 31, 2019 and December 31, 2018, the Organization did not receive any conditional promises to give.

Special events - The Organization hosts its annual Food Fight event as well as young professionals' events to raise money for, and create awareness of, the Organization. Donations and fees are often collected in advance of the event, while revenue is recognized when the event has taken place.

Rental income - The Organization rents office space to various organizations. Tenants pay rent to the Organization on a monthly basis in accordance with the terms of the lease agreements, and such revenue is recognized each month as the tenants utilize the rented space. Rent received in advance is deferred until the period that such rent covers.

Tuition - The Organization charges a tuition fee for participation in its youth programs when a family's income is above a certain threshold. Tuition is paid on a weekly basis and is recognized once the week's programs have been completed.

