THE FATHER MCKENNA CENTER, INC.

FINANCIAL STATEMENTS

September 30, 2017

C O N T E N T S

Wegner CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Father McKenna Center, Inc.
Washington, D.C.

We have audited the accompanying financial statements of The Father McKenna Center, Inc., which comprise the statement of financial position as of September 30, 2017, 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 The Father McKenna Center, Inc. as of September 30, 2017, 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
January 5, 2018

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2017

ASSETS		
CURRENT ASSETS		
Cash	$	443,777
Certificates of deposit		622,062
Promises to give		200,985
Prepaid expenses		17,051
Employee advances		6,292
Accrued interest		2,897
Total current assets		1,293,064
OTHER ASSETS		
Promises to give, long-term - net		680,800
Equipment and leasehold improvements - net		194,656
Total other assets		875,456
Total assets	$	2,168,520
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	41,226
Accrued payroll and vacation		18,406
Accrued expenses		454
Total liabilities		60,086
NET ASSETS		
Unrestricted		1,238,096
Temporarily restricted		870,338
Total net assets		2,108,434
Total liabilities and net assets	$	2,168,520

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions			
Organizations	$ 68,262	$ -	$ 68,262
Individuals	464,497	13,981	478,478
Foundations	247,900	848,300	1,096,200
Government	2,285	2,285	4,570
Donated food and clothing	203,125	-	203,125
Donated facilities	348,768	-	348,768
Donated services	67,100	-	67,100
Net assets released from restrictions	131,016	(131,016)	-
Total support	1,532,953	733,550	2,266,503
Other revenue	4,413	-	4,413
Interest	6,898	-	6,898
Total revenue	11,311	-	11,311
Total support and revenue	1,544,264	733,550	2,277,814
EXPENSES			
Program services			
Day Shelter	719,358	-	719,358
Food Pantry	164,804	-	164,804
Hypothermia	88,185	-	88,185
Other	55,525	-	55,525
Total program services	1,027,872	-	1,027,872
Supporting activities			
Management and general	148,235	-	148,235
Fundraising	163,848	-	163,848
Total expenses	1,339,955	-	1,339,955
Change in net assets	204,309	733,550	937,859
Net assets - beginning of year	1,033,787	136,788	1,170,575
Net assets - end of year	$ 1,238,096	$ 870,338	$ 2,108,434

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2017

	Program Services					Supporting Activities		
	Day Shelter	Food Pantry	Hypothermia	Other	Total Program	Management and General	Fundraising	Total
Salaries	$ 223,437	$ 28,077	$ 41,139	$ 14,411	$ 307,064	$ 12,945	$ 46,552	$ 366,561
Payroll taxes and benefits	52,112	5,614	10,498	4,014	72,238	10,295	13,117	95,650
Food and clothing	115,102	99,743	257	29,841	244,943	21	-	244,964
Professional fees	1,732	-	-	-	1,732	88,358	56,800	146,890
Occupancy	265,532	28,216	27,930	4,953	326,631	22,630	4,956	354,217
Supplies and equipment	23,673	576	3,028	148	27,425	163	1,148	28,736
Printing and shipping	100	2	10	1	113	223	29,481	29,817
Office expenses	4,828	347	512	212	5,899	1,948	764	8,611
Meetings, travel, and training	6,349	100	-	55	6,504	650	-	7,154
Insurance	7,863	493	960	365	9,681	4,151	1,173	15,005
Depreciation	11,065	1,170	2,558	879	15,672	4,757	2,837	23,266
Fees and licenses	1,042	12	473	324	1,851	926	1,587	4,364
Local transportation	1,829	-	-	-	1,829	-	-	1,829
Advertising	355	-	-	-	355	-	3,236	3,591
Information technology	4,339	454	820	322	5,935	1,168	2,197	9,300
Total expenses	$ 719,358	$ 164,804	$ 88,185	$ 55,525	$ 1,027,872	$ 148,235	$ 163,848	$ 1,339,955

See accompanying notes.

THE FATHER MCKENNA CENTER, INC.
STATEMENT OF CASH FLOWS
Year ended September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 937,859
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Contributions restricted for long-term purposes	(879,000)
Discount on long-term promises to give	23,000
Depreciation	23,266
(Increase) decrease in assets	
Promises to give	3,673
Prepaid expenses	1,416
Employee advances	(4,841)
Accrued interest	(886)
Increase (decrease) in liabilities	
Accounts payable	(1,138)
Accrued payroll and vacation	1,560
Accrued expenses	454
Net cash flows from operating activities	105,363
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of leasehold improvements	(63,486)
Redemptions of certificates of deposit	300,000
Purchases of certificates of deposits	(110,000)
Interest retained in certificates of deposit	(2,173)
Net cash flows from investing activities	124,341
Net change in cash	229,704
Cash - beginning of year	214,073
Cash - end of year	$ 443,777
SUPPLEMENTAL DISCLOSURES	
Noncash investing and financing transactions	
Leasehold improvements included in accounts payable	$ 31,356

See accompanying notes.

The Father McKenna Center, Inc. (Center) is a nonprofit organization incorporated in 2012 and is a Catholic social service agency serving individuals and families in need of assistance in Ward 6 of Washington, D.C. The Center's mission is to accompany and care for families struggling with poverty and men facing homelessness by providing food, shelter, clothing and services to support their journey toward stability, productivity, meaning and hope, building upon the good works, ideals and values of Father Horace McKenna, S.J.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Center in perpetuity. At September 30, 2017, the Center did not maintain any permanently restricted net assets.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give to be received over periods longer than a single year are discounted at an interest rate commensurate with risk involved if material to the financial statements.

Equipment and Leasehold Improvements

The Center capitalizes all acquisitions of equipment and leasehold improvements in excess of $1,000. Equipment and leasehold improvements are carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, 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 contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated services are recognized as support if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Expense Allocation

The costs of providing programs and supporting activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following programs are included in the accompanying financial statements:

Day Shelter for Men Struggling with Homelessness

The largest program of the Center is the Day Shelter for men who struggle with homelessness. The Day Shelter is a “drop-in” program that welcomes guests into the Center to meet their immediate needs while providing case management and other support to assist guests to identify the obstacles they face and to develop strategies to overcome those obstacles so that they can reclaim their lives. Each day more than 100 men come to the Center for one of many services provided: including meals (breakfast and lunch), showers, laundry, clothing, access to computers, phone and mail, educational programs, and case management and referral services to help the men recognize their full potential. The Day Shelter is open Monday through Friday from 7:00 am to 1:30 pm, with special programs in the afternoon. The Day Shelter provides a safe and secure environment for homeless men to develop the individual strategies they need to move toward stability, productivity and meaning in their lives.

Food Pantry

The Food Pantry provides low income families from Ward 6 in Washington, D.C. the opportunity to secure supplemental groceries. Many low income families receive SNAP (Supplemental Nutrition Assistant Program) support, formerly called “Food Stamps.” Cuts to SNAP in 2017 have meant most families receiving assistance only receive enough to purchase 20 to 22 days’ worth of food. To help fill the gap, the Center provides an array of groceries including: milk, eggs, meat, breads, fresh produce and a variety of nonperishable foods. The estimated value of each bag of groceries is $60. The Pantry serves 12 to 17 families every day and approximately 200 different families every month. The Pantry is open Monday through Friday and families may visit the Pantry twice per month, with two weeks between visits. During the year ended September 30, 2017, the Center provided food to support more than 45,000 meals in the community.

Hypothermia/Transition Program

The Hypothermia/Transition Program offers a warm, safe and secure place to sleep out of the cold for up to 20 men, with a quality evening meal provided and served by Gonzaga College High School families, and targeted case management services with the goal of finding a job and a permanent place to live. The Hypothermia Program opens on November 1st and continues every night through March 31st every year. The men in the Hypothermia Program set specific goals and work on them with the encouragement of a dedicated case manager.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, 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.

Date of Management's Review

Management has evaluated subsequent events through January 5, 2018, the date which the financial statements were available to be issued. Further, to their knowledge no items of note required disclosure.

NOTE 2 - PROMISES TO GIVE

Promises to give at September 30, 2017 consisted of the following:

Receivable in less than one year	$ 200,985
Receivable in one to five years	703,800
Promises to give	904,785
Discount to net present value	(23,000)
Promises to give - net	$ 881,785

Promises to give receivable in one to five years are discounted at a rate of 3.5%.

NOTE 3 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at September 30, 2017 consisted of the following:

Equipment	$ 41,968
Computers	16,226
Leasehold improvements	204,100
Vehicles	22,470
Equipment and leasehold improvements	284,764
Accumulated depreciation	(90,108)
Equipment and leasehold improvements - net	$ 194,656

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017 were available for the following:

Purpose restricted		
Ignation mission	$	6,360
Clothing/backpacks		3,898
Food Pantry		8,930
Day Shelter		2,850
Capital campaign		824,800
Restricted for future periods		23,500
Temporarily restricted net assets	$	870,338

NOTE 5 - DONATED SERVICES

The value of donated services and the corresponding programs and supporting activities for which the donated services were used for the year ended September 30, 2017 are as follows:

	Management and General	Fundraising	Total
Audit services	$ 10,300	$ -	$ 10,300
Social media consulting	-	56,800	56,800
Donated services	$ 10,300	$ 56,800	$ 67,100

NOTE 6 - LICENSING AGREEMENT

The Center entered into an agreement with Gonzaga College High School (Gonzaga) granting the Center a license to utilize a portion of its facilities for carrying out the Center's operations at an annual base rent of $1. The rent rate is established on an annual basis and the license expires November 26, 2019. The estimated fair value of the donated facilities and utilities was $348,768 for the year ended September 30, 2017 and is included in occupancy on the statement of functional expenses.

NOTE 7 - RETIREMENT PLAN

The Center provides a 401(k) plan that allows employees to begin making elective deferrals once they have met the eligibility requirements. The Center makes a discretionary 3% contribution to the plan based on each employee compensation. Retirement expense was $3,606 for the year ended September 30, 2017.