

**MULTICULTURAL COMMUNITY
RESOURCE CENTER**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

MULTICULTURAL COMMUNITY RESOURCE CENTER

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For the Years Ended June 30, 2019 and 2018

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FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Board of Directors
Multicultural Community Resource Center
Erie, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Multicultural Community Resource Center (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Independent Auditors' Report
(Continued)

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

Basis for Qualified Opinion

The Organization's wholly owned subsidiary, Mosaico Employment Services, Inc., is required, by accounting principles, to be consolidated with the Organization's financial statements. Mosaico Employment Services, Inc. was not audited; therefore, was not consolidated with the Organization's financial statements referred to above.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Multicultural Community Resource Center as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Grant Income and Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Independent Auditors' Report
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020 on our consideration of Multicultural Community Resource Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Multicultural Community Resource Center's internal control over financial reporting and compliance.



Felix and Gloekler, P.C.

January 15, 2020
Erie, Pennsylvania

MULTICULTURAL COMMUNITY RESOURCE CENTER

Statements of Financial Position

June 30, 2019 and 2018

| | 2019 | 2018 |
|--|---------------------|--------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,035,444 | \$ 839,093 |
| Investments, at fair value | 5,834 | 6,323 |
| Accounts receivable - Trade | 17,362 | 27,093 |
| Accounts receivable - Grants | 205,359 | 265,986 |
| Accounts receivable - Related party | 1,698 | 3,274 |
| Prepaid expenses | 692 | 1,412 |
| Total current assets | 1,266,389 | 1,143,181 |
| Property and Equipment | | |
| Land | 23,806 | 23,806 |
| Building and improvements | 989,864 | 979,984 |
| Equipment | 351,952 | 314,976 |
| | 1,365,622 | 1,318,766 |
| Less: accumulated depreciation | (748,309) | (689,065) |
| | 617,313 | 629,701 |
| Other Assets | | |
| Beneficial interest in Foundation assets | 36,628 | 35,123 |
| Total assets | \$ 1,920,330 | \$ 1,808,005 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 3,840 | \$ 21,798 |
| Accrued payroll and related items | 61,073 | 74,041 |
| Unearned revenue | 12,762 | 14,838 |
| Total current liabilities | 77,675 | 110,677 |
| Net Assets | | |
| Without Donor Restrictions: | | |
| Undesignated | 1,188,714 | 1,032,504 |
| Invested in fixed assets | 617,313 | 629,701 |
| Board designated endowment | 36,628 | 35,123 |
| Total net assets | 1,842,655 | 1,697,328 |
| Total liabilities and net assets | \$ 1,920,330 | \$ 1,808,005 |

See notes to financial statements.

MULTICULTURAL COMMUNITY RESOURCE CENTER

Statements of Activities

For the Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|---------------------|---------------------|
| Public Support and Revenue | | |
| Grant revenue | \$ 1,269,740 | \$ 1,656,484 |
| Contributions | 9,622 | 5,048 |
| Rent | 68,911 | 50,477 |
| Fees for services | 744,189 | 741,934 |
| Other | 1,532 | 2,693 |
| Fundraising | 50,292 | 55,987 |
| Investment income/(loss) | 3,974 | 4,790 |
| | <u>2,148,260</u> | <u>2,517,413</u> |
| Total public support and revenue | | |
| | <u>2,148,260</u> | <u>2,517,413</u> |
| Expenses | | |
| Program Services | | |
| Employment training | 462,425 | 579,296 |
| Case management | 80,398 | 95,820 |
| Outreach | 1,278,059 | 1,251,828 |
| Education | 14,590 | 250,771 |
| | <u>1,835,472</u> | <u>2,177,715</u> |
| Total program services | | |
| | <u>1,835,472</u> | <u>2,177,715</u> |
| Supporting Services | | |
| General and administrative | 153,559 | 138,928 |
| Fundraising | 13,902 | 11,281 |
| | <u>167,461</u> | <u>150,209</u> |
| Total supporting services | | |
| | <u>167,461</u> | <u>150,209</u> |
| Total expenses | <u>2,002,933</u> | <u>2,327,924</u> |
| Change in net assets | 145,327 | 189,489 |
| Net Assets at Beginning of Year | <u>1,697,328</u> | <u>1,507,839</u> |
| Net Assets at End of Year | <u>\$ 1,842,655</u> | <u>\$ 1,697,328</u> |

See notes to financial statements.

MULTICULTURAL COMMUNITY RESOURCE CENTER

Statement of Functional Expenses

For the Year Ended June 30, 2019

| | Program Services | | | | Total |
|--------------------------|------------------------|--------------------|---------------------|------------------|---------------------|
| | Employment Training | Case Management | Outreach | Education | |
| Salaries | \$ 282,327 | \$ 64,411 | \$ 823,981 | \$ 8,103 | \$ 1,178,822 |
| Payroll taxes | 23,403 | 5,366 | 71,882 | 512 | 101,163 |
| Employee benefits | 35,623 | 1,842 | 58,359 | 1,444 | 97,268 |
| Client travel | - | - | 6,081 | - | 6,081 |
| Staff travel | 823 | 369 | 9,443 | 604 | 11,239 |
| Utilities | 8,855 | 1,821 | 20,584 | 45 | 31,305 |
| Occupancy | 24,846 | - | 38,734 | 1,350 | 64,930 |
| Insurance | 3,405 | 350 | 8,959 | - | 12,714 |
| Custodial supplies | - | - | 762 | - | 762 |
| Office supplies | 2,133 | 953 | 10,217 | 362 | 13,665 |
| Program supplies | 132 | - | 42,553 | 157 | 42,842 |
| Client incentives | - | - | 5,606 | - | 5,606 |
| Professional fees | 795 | 350 | 58,644 | 1,275 | 61,064 |
| Telephone | 2,059 | 560 | 6,568 | - | 9,187 |
| Conferences and training | - | - | 2,795 | - | 2,795 |
| Other | 990 | 1,610 | 3,654 | 154 | 6,408 |
| Equipment leasing | 2,007 | 375 | 5,113 | 150 | 7,645 |
| Repairs and maintenance | - | - | 10,654 | - | 10,654 |
| Fundraising expense | - | - | - | - | - |
| Subcontracting | 61,230 | - | 55,211 | - | 116,441 |
| Depreciation | 13,797 | 2,391 | 38,259 | 434 | 54,881 |
| Total | \$ 462,425 | \$ 80,398 | \$ 1,278,059 | \$ 14,590 | \$ 1,835,472 |

See notes to financial statements.

| <u>Supporting Services</u> | | |
|----------------------------|--------------------|-----------------------|
| <u>General and</u> | | |
| <u>Administrative</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
| \$ 84,611 | \$ - | \$ 1,263,433 |
| 17,663 | - | 118,826 |
| 1,680 | - | 98,948 |
| - | - | 6,081 |
| - | - | 11,239 |
| 454 | - | 31,759 |
| - | - | 64,930 |
| 25,645 | - | 38,359 |
| - | - | 762 |
| 3,530 | - | 17,195 |
| 3,698 | 10,269 | 56,809 |
| - | - | 5,606 |
| 4,115 | - | 65,179 |
| 2,873 | - | 12,060 |
| 87 | - | 2,882 |
| 1,671 | - | 8,079 |
| 1,254 | - | 8,899 |
| - | - | 10,654 |
| | 3,633 | 3,633 |
| 1,915 | - | 118,356 |
| 4,363 | - | 59,244 |
| <u>\$ 153,559</u> | <u>\$ 13,902</u> | <u>\$ 2,002,933</u> |

MULTICULTURAL COMMUNITY RESOURCE CENTER

Statement of Functional Expenses

For the Year Ended June 30, 2018

| | Program Services | | | | Total |
|--------------------------|------------------------|--------------------|---------------------|-------------------|---------------------|
| | Employment Training | Case Management | Outreach | Education | |
| Salaries | \$ 350,903 | \$ 75,244 | \$ 834,507 | \$ 135,741 | \$ 1,396,395 |
| Payroll taxes | 31,376 | 6,868 | 82,091 | 12,659 | 132,994 |
| Employee benefits | 45,734 | 3,599 | 51,393 | 16,141 | 116,867 |
| Client travel | - | - | 6,891 | - | 6,891 |
| Staff travel | 6,624 | 191 | 6,941 | 2,435 | 16,191 |
| Utilities | 9,904 | 1,647 | 12,457 | 6,056 | 30,064 |
| Occupancy | 18,956 | 900 | 21,440 | 5,400 | 46,696 |
| Insurance | 4,064 | 350 | 6,520 | 3,800 | 14,734 |
| Custodial supplies | - | - | 695 | - | 695 |
| Office supplies | 6,054 | 1,361 | 9,624 | 2,855 | 19,894 |
| Program supplies | - | - | 44,780 | 1,244 | 46,024 |
| Client incentives | - | - | 8,490 | - | 8,490 |
| Professional fees | 1,178 | 452 | 59,202 | 5,100 | 65,932 |
| Telephone | 2,780 | 655 | 6,389 | 1,200 | 11,024 |
| Conferences and training | - | 1,650 | 3,678 | 919 | 6,247 |
| Other | 4 | 131 | 5,759 | 2,151 | 8,045 |
| Equipment leasing | 1,578 | 508 | 5,245 | 2,102 | 9,433 |
| Repairs and maintenance | - | - | 12,437 | 1,306 | 13,743 |
| Fundraising expense | - | - | - | - | - |
| Subcontracting | 87,133 | - | 43,346 | 46,066 | 176,545 |
| Depreciation | 13,008 | 2,264 | 29,943 | 5,596 | 50,811 |
| Total | \$ 579,296 | \$ 95,820 | \$ 1,251,828 | \$ 250,771 | \$ 2,177,715 |

See notes to financial statements.

| <u>Supporting Services</u> | | |
|----------------------------|--------------------|-----------------------|
| <u>General and</u> | | |
| <u>Administrative</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
| \$ 82,072 | \$ - | \$ 1,478,467 |
| 16,414 | - | 149,408 |
| - | - | 116,867 |
| - | - | 6,891 |
| - | - | 16,191 |
| 2,872 | - | 32,936 |
| - | - | 46,696 |
| 22,191 | - | 36,925 |
| - | - | 695 |
| 1,355 | 204 | 21,453 |
| 1,818 | 6,945 | 54,787 |
| - | - | 8,490 |
| 6,745 | - | 72,677 |
| 1,568 | - | 12,592 |
| 67 | - | 6,314 |
| 2,356 | - | 10,401 |
| 74 | - | 9,507 |
| 528 | - | 14,271 |
| - | 4,132 | 4,132 |
| - | - | 176,545 |
| 868 | - | 51,679 |
| <u>\$ 138,928</u> | <u>\$ 11,281</u> | <u>\$ 2,327,924</u> |

MULTICULTURAL COMMUNITY RESOURCE CENTER

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|-------------------|
| Operating Activities | | |
| Change in net assets | \$ 145,327 | \$ 189,489 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 59,244 | 51,679 |
| Change in Beneficial Interest in Foundation assets | (1,505) | (2,429) |
| Unrealized (appreciation)/depreciation in investments | 489 | (144) |
| (Increase) decrease in receivables | 71,934 | 37,814 |
| (Increase) decrease in prepaid items | 720 | (1,112) |
| Increase (decrease) in accounts payable and accrued payroll | (30,926) | 3,530 |
| Increase (decrease) in unearned revenue | (2,076) | (14,086) |
| Net cash provided (used) by operating activities | <u>243,207</u> | <u>264,741</u> |
| Investing Activities | | |
| Purchase of property and equipment | <u>(46,856)</u> | <u>(59,365)</u> |
| Net cash used by investing activities | <u>(46,856)</u> | <u>(59,365)</u> |
| Net Change In Cash and Cash Equivalents | 196,351 | 205,376 |
| Cash and Cash Equivalents at Beginning of Year | <u>839,093</u> | <u>633,717</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,035,444</u> | <u>\$ 839,093</u> |

See notes to financial statements.

MULTICULTURAL COMMUNITY RESOURCE CENTER
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Multicultural Community Resource Center was founded in 1975 by key cultural, religious and social organizations within Erie's Hispanic community. The role of the Multicultural Community Resource Center is to facilitate the socioeconomic progress of the limited English-speaking community of Erie. In the normal course of operations, the Organization grants credit to participants of this program. The Organization is currently engaged in providing employment counseling and placement, information and referral services, education classes, case management, naturalization assistance, immigration counseling, outreach, community organization activities, and daycare services. It is also managing the rehabilitation of the former public-school building in which it is headquartered. The Organization's sources of revenue include grants with various organizations and fees for services.

A. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, under which method revenue is recorded when earned rather than when cash is collected, and expenses are recorded when incurred rather than when paid.

B. Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold.

C. Contributed Services

During the years ended June 30, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Estimates

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.

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

F. Land, Building, Improvements, and Equipment

Land, building, improvements, and equipment have been recorded at cost. Expenditures for maintenance, repairs, and minor renewals are charged against income as incurred. Expenditures for additions, betterments, replacements, and major renewals are capitalized. Depreciation is taken on a straight-line basis using the following lives:

| | |
|--------------|-------------|
| Building | 30 Years |
| Improvements | 10-20 Years |
| Equipment | 3-10 Years |

Title to assets acquired under various grant agreements may revert to the grantor upon termination of those agreements.

G. Basis of Presentation

The Multicultural Community Resource Center reports information regarding their financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

H. Sequencing on the Statement of Financial Position

Assets are sequenced according to the nearness of conversion to cash, and liabilities are sequenced according to their nearness of their maturity and resulting use of cash.

I. Contributions Received and Contributions Made

Contributions received are recorded as with or without donor restrictions support. Temporarily restricted contributions expended in the same period received are reported as contributions without donor restrictions in the statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Functional Allocation of Expenses

Salaries, benefits, and taxes are allocated to functional expenses based on time employees spend on each specific function. The remaining expenses are allocated wherever practical or are based on another equitable method.

K. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

L. Receivables

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and anticipated collections. The receivables are shown net of allowance. The allowance recorded at June 30, 2019 and 2018 is \$0.

M. Comparative Financial Statements

Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation.

NOTE 2 – INVESTMENT INCOME (LOSS)

Investment income (loss) consisted of the following, which includes activity related to investments and beneficial interest:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|----------------------------|----------------------|----------------------|
| Interest and dividends | \$ 3,555 | \$ 2,792 |
| Unrealized gain (loss) | 359 | 302 |
| Realized gain (loss) | 448 | 2,060 |
| Investment/Management Fees | <u>(388)</u> | <u>(364)</u> |
| | <u>\$ 3,974</u> | <u>\$ 4,790</u> |

NOTE 3 – BENEFICIAL INTEREST IN FOUNDATION ASSETS

In June 2010, the Organization established a fund with the Erie Community Foundation (ECF) to benefit the Organization. The net income from the fund will be used exclusively to support the Organization as long as they operate as a non-profit organization and continue to fill local needs. Should the Organization’s mission become for-profit, inconsistent with local needs or impossible to accomplish, ECF may vary the agreement to insure it is consistent with the Organization’s original intent. That is, the Organization explicitly grants variance power to ECF.

Net income (loss) is defined as a percentage of the fund market value. Net income (loss) from the fund recognized in the years ended June 30, 2019 and 2018 was \$1,505 and \$2,429, respectively. The fair market value at June 30, 2019 and 2018 was \$36,628 and \$35,123, respectively.

NOTE 4 – BOARD DESIGNATED ENDOWMENT

The Organization’s endowment includes funds designated by the Board of Directors as an endowment. The purpose of this endowment is to develop and stimulate an alternative source of funds to supplement the Organization’s other funding sources. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has an agency endowment agreement with ECF. ECF pools these funds with the funds received from various other organizations. The pooled funds are then utilized to create an investment portfolio that is managed and administered by ECF. ECF is responsible for allocating to the Organization their respective share of the investment portfolio’s performance. ECF annually determines the investment income allocated to the Organization which can be distributed to the Organization.

Interpretation of Relevant Law

The current relevant law for the investment and distribution of restricted endowment and trust funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Since the Organization has no permanently restricted endowment, Act 141 does not apply.

Changes in endowment net assets for the year ended:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|----------------------------|----------------------|----------------------|
| Beginning balance | \$ 35,123 | \$ 32,694 |
| Transfers | - | - |
| Contributions | - | 98 |
| Interest and dividends | 597 | 477 |
| Unrealized gains/(losses) | 359 | 158 |
| Realized gains | 937 | 2,060 |
| Investment/Management fees | <u>(388)</u> | <u>(364)</u> |
| Ending balance | <u>\$ 36,628</u> | <u>\$ 35,123</u> |

NOTE 4 – BOARD DESIGNATED ENDOWMENT (CONTINUED)

Investment Policies

The trustees of the ECF are charged with the responsibility of managing the endowment assets of the Organization. The overall goal in management of these funds is to generate a long-term total rate of return that provides sustainable distributions to support the mission within reasonable levels of risk.

Spending Policy

The endowment trustees distribute funds as stipulated by the Organization and within the purpose of the trust as outlined in the endowment governing documents for the named funds.

NOTE 5 – ORGANIZATION AND MANAGEMENT OF FINANCIAL RESOURCES AND LIQUIDITY

The Organization is primarily funded through grants. These funds are readily available to support the programs and operations of the Organization. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures and liabilities as other obligations become due.

NOTE 6 – ORGANIZATION AVAILABILITY OF FINANCIAL ASSETS

The Organization's available financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available for general use due to board designated endowments and investments in fixed assets, are noted below.

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Net Assets as of June 30 | \$ 1,842,655 | \$ 1,697,328 |
| Less those unavailable for general expenditure with one year, due to: | | |
| Fixed assets | (617,313) | (629,701) |
| Board designations: | | |
| Endowment | <u>(36,628)</u> | <u>(35,123)</u> |
| Financial assets available to meet cash needs within one year | <u>\$ 1,188,714</u> | <u>\$ 1,032,504</u> |

NOTE 7 – FAIR VALUE OF ASSETS

Assets measured at fair value on a recurring basis include the following at June 30, 2019:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 3</u> |
|---|------------------|-----------------|------------------|
| Investments: | | | |
| Equity - stock | <u>\$ 5,834</u> | <u>\$ 5,834</u> | <u>\$ -</u> |
| Beneficial interest in Foundation assets | <u>\$ 36,628</u> | <u>\$ -</u> | <u>\$ 36,628</u> |

Assets measured at fair value on a recurring basis include the following at June 30, 2018:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 3</u> |
|---|------------------|-----------------|------------------|
| Investments: | | | |
| Equity - stock | <u>\$ 6,323</u> | <u>\$ 6,323</u> | <u>\$ -</u> |
| Beneficial interest in Foundation assets | <u>\$ 35,123</u> | <u>\$ -</u> | <u>\$ 35,123</u> |

Fair value is measured based on a fair value hierarchy based on three levels of inputs of which the first two are considered observable and the last is considered unobservable.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The assets or liability's fair 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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 June 30, 2019 and 2018.

Equity-stock – Value based on quoted prices in active markets.

NOTE 7 – FAIR VALUE OF ASSETS (CONTINUED)

Beneficial interest in Foundation assets – The Organization’s valuation methodology used to measure the fair value of funds held at the Erie Community Foundation (ECF) relies upon information provided by ECF personnel. The Organization’s share of the investment pool at ECF is based on the underlying fair values of the investments consisting of all three hierarchy levels; this is classified within Level 3 of the valuation hierarchy.

The assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consist of the beneficial interest with the Erie Community Foundation and had the following changes during the year ended June 30:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|------------------|------------------|
| Beginning balance | \$ 35,123 | \$ 32,694 |
| Transfers | - | - |
| Contributions | - | 98 |
| Interest and dividends | 597 | 477 |
| Unrealized gain/(losses) | 359 | 158 |
| Realized gain/(losses) | 937 | 2,060 |
| Investment/Management fees | <u>(388)</u> | <u>(364)</u> |
| | <u>\$ 36,628</u> | <u>\$ 35,123</u> |

The above amounts are included in the investment income or loss reported on the Statement of Activities.

NOTE 8 – LINE OF CREDIT

The Organization has established a line of credit with a local financial institution to be used for general operating expenses, with a credit limit of \$100,000. Amounts borrowed on the line are secured by real estate and accounts receivable. Interest is calculated on the outstanding balance at a 5.25% interest rate. At June 30, 2019 and 2018, the Organization had an outstanding balance of \$0.

NOTE 9 – CONCENTRATION OF CREDIT RISK

As of June 30, 2019 and 2018, the Organization's cash and cash equivalents were \$1,035,444 and \$839,093, respectively. The bank balances at June 30, 2019 and 2018 were \$1,073,000 and \$915,472, respectively, which were covered by FDIC Insurance up to \$250,000 and any amount over was uninsured.

NOTE 10 – COMPENSATED ABSENCES

Vacation will be on an accrual basis. New hires and part time staff going to full time are not eligible for vacation time until 6 months of service has been completed. Based on your length of service, your accrual rate per pay period will be as follows:

NOTE 10 – COMPENSATED ABSENCES (CONTINUED)

| <u>Length of Service</u> | <u>Hours per pay period</u> |
|--------------------------|--|
| 0 to 6 months | No accruals |
| 6 months thru 3 years | 2.88 hours (75 hours max per calendar year) |
| 4 thru 7 years | 4.33 hours (112.5 hours max per calendar year) |
| 8+ years | 5.77 hours (150 max hours max per calendar year) |

Vacation will max out for all staff at 150 hours. Those who currently have 187.5 hours (7.22 hours per pay period) as of January 1, 2013 will be grandfathered into this amount.

Part-time employees are not eligible for vacation benefits

The Organization has recorded the liability for the employee’s unpaid compensatory time of \$12,183 and \$15,521 as of June 30, 2019 and 2018, respectively. These amounts are included in accrued payroll and related items on the Statement of Financial Position.

NOTE 11 – RELATED PARTY – MOSAICO EMPLOYMENT SERVICES, INC.

During the year ended June 30, 2006, the Organization formed a for-profit company (Mosaico Employment Services, Inc.) to provide employment services. The Company was organized with no initial capitalization from Multicultural Community Resource Center; accordingly, the statement of financial position reflects no amount for this investment.

During the years ended June 30, 2019 and 2018, the Organization received reimbursement of \$40,531 and \$40,221, respectively, and paid for services of \$0 and \$5,099, respectively. The Organization has a receivable of \$1,698 and \$3,274 at June 30, 2019 and 2018, respectively.

The unaudited information of Mosaico was not consolidated into Multicultural Community Resource Center as of June 30, 2019 and June 30, 2018. Mosaico's financial information for the year ended June 30 was as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|-------------------|-------------------|
| Total Assets | <u>\$ 318,768</u> | <u>\$ 313,461</u> |
| Total Liabilities | \$ 1,426 | \$ 1,812 |
| Total Equity | <u>317,342</u> | <u>311,649</u> |
| Total Liabilities and Equity | <u>\$ 318,768</u> | <u>\$ 313,461</u> |
| Total Revenues | \$ 424,141 | \$ 701,635 |
| Total Expenses | <u>(418,447)</u> | <u>(675,765)</u> |
| Net Profit | <u>\$ 5,694</u> | <u>\$ 25,870</u> |

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Multicultural Community Resource Center guarantees a line of credit for its wholly owned for-profit corporation, Mosaico Employment Services, Inc. The maximum amount of the line of credit balance is \$50,000. The line of credit is secured by real estate of the non-profit organization. As of June 30, 2019 and 2018, Mosaico had an outstanding balance of \$0.

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the independent auditors' report, the date which the financial statements were available to be issued.



FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Multicultural Community Resource Center
Erie, Pennsylvania

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Multicultural Community Resource Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 15, 2020. We issued a qualified opinion on Multicultural Community Resource Center's financial statements as the Organization's wholly owned subsidiary, Mosaico Employment Services, Inc. was not audited; therefore, was not consolidated with the Organization's financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Multicultural Community Resource Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Multicultural Community Resource Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Multicultural Community Resource Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Multicultural Community Resource Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Multicultural Community Resource Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Multicultural Community Resource Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Felix and Gloekler, P.C.

January 15, 2020
Erie, Pennsylvania

MULTICULTURAL COMMUNITY RESOURCE CENTER

Schedule of Grant Income and Expenses-

Erie County OCY - Truancy

For the Year Ended June 30, 2019

| | |
|--|--------------------|
| Grant Income | <u>\$ 270,000</u> |
| Expenses | |
| Salaries | 156,872 |
| Payroll taxes | 15,416 |
| Employee benefits | 12,720 |
| Staff/client travel | 7,394 |
| Utilities | 4,300 |
| Telephone | 1,320 |
| Advertising | - |
| Occupancy | 6,000 |
| Building/vehicle maintenance | 3,779 |
| Office supplies | 1,960 |
| Program supplies | 8,369 |
| Client incentives | 4,343 |
| Staff training | 389 |
| Professional fees | 33,225 |
| Contracted services | 10,963 |
| Copier/computer | 1,100 |
| Equipment purchase | <u>1,850</u> |
| Total expenses | <u>270,000</u> |
| Excess of Grant Income Over Expenditures | <u><u>\$ -</u></u> |

MULTICULTURAL COMMUNITY RESOURCE CENTER

Schedule of Grant Income and Expenses-

Erie County OCY - Daycare

For the Year Ended June 30, 2019

| | |
|--|--------------------|
| Grant Income | <u>\$ 94,200</u> |
| Expenses | |
| Salaries | 61,946 |
| Payroll taxes | 6,625 |
| Employee benefits | 5,521 |
| Staff/client travel | 1,850 |
| Utilities | 1,576 |
| Telephone | 492 |
| Advertising | - |
| Occupancy | 2,874 |
| Building/vehicle maintenance | 4,090 |
| Office supplies | 950 |
| Program supplies | 4,217 |
| Client incentives | 400 |
| Staff training | 577 |
| Professional fees | 350 |
| Contracted services | - |
| Copier/computer | 400 |
| Equipment purchase | <u>2,332</u> |
| Total expenses | <u>94,200</u> |
| Excess of Grant Income Over Expenditures | <u><u>\$ -</u></u> |