OUR LADY'S INN

FINANCIAL STATEMENTS

December 31, 2018 and 2017

OUR LADY'S INN

TABLE OF CONTENTS

KEB

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Independent Auditors' Report

Board of Directors
Our Lady's Inn

We have audited the accompanying financial statements of Our Lady's Inn (a Missouri corporation, not-for-profit), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, changes in net assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Our Lady's Inn as of December 31, 2018 and 2017, 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.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
March 25, 2019

OUR LADY'S INN

STATEMENTS OF FINANCIAL POSITION
December 31,

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,056,883	$ 693,721
Operating investments	688,004	377,930
Contributions and grants receivable	85,193	112,627
Prepaid expenses	22,543	20,565
Property and equipment, net	1,687,997	1,713,573
Endowment investments	1,357,631	883,631
Total assets	$ 4,898,251	$ 3,802,047
LIABILITIES AND NET ASSETS		
Liabilities		
Deferred revenue	$ -	$ 20,717
Accrued liabilities	186,230	140,642
Total liabilities	186,230	161,359
Net assets		
Without donor restrictions		
Undesignated	3,193,177	2,176,211
Board designated endowment	609,050	117,596
Board designated for capital improvements	-	377,930
	3,802,227	2,671,737
With donor restrictions	909,794	968,951
Total net assets	4,712,021	3,640,688
Total liabilities and net assets	$ 4,898,251	$ 3,802,047

See notes to financial statements.

OUR LADY'S INN

STATEMENTS OF ACTIVITIES
Year ended December 31,

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Government grants	$ 781,110	$ -	$ 781,110	$ 868,903	$ -	$ 868,903
Donations	2,897,141	39,676	2,936,817	1,820,648	117,098	1,937,746
Investment income (loss)	1,091	(17,454)	(16,363)	22,093	83,562	105,655
Tenant rents	4,001	-	4,001	2,860	-	2,860
Thrift shop	89,899	-	89,899	86,581	-	86,581
Other	10,496	-	10,496	7,184	-	7,184
	3,783,738	22,222	3,805,960	2,808,269	200,660	3,008,929
Net assets released from restrictions						
Satisfaction of program restrictions	79,298	(79,298)	-	60,332	(60,332)	-
Expiration of time restrictions	2,081	(2,081)	-	2,081	(2,081)	-
Total net assets released from restrictions	81,379	(81,379)	-	62,413	(62,413)	-
Total support and revenue	3,865,117	(59,157)	3,805,960	2,870,682	138,247	3,008,929
Expenses						
Program services	2,087,843	-	2,087,843	2,024,671	-	2,024,671
Management and general	270,129	-	270,129	227,423	-	227,423
Fundraising	376,655	-	376,655	393,999	-	393,999
Total expenses	2,734,627	-	2,734,627	2,646,093	-	2,646,093
INCREASE (DECREASE) IN NET ASSETS	$ 1,130,490	$ (59,157)	$ 1,071,333	$ 224,589	$ 138,247	$ 362,836

See notes to financial statements.

OUR LADY'S INN

STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	Program services			Management and general			Fundraising			
	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	Total expenses
Salaries	$ 594,290	$ 633,245	$ 1,227,535	$ 66,651	$ 71,296	$ 137,947	$ 107,540	$ 109,331	$ 216,871	$ 1,582,353
Employee benefits and taxes	99,060	115,535	214,595	16,123	17,309	33,432	15,674	15,809	31,483	279,510
Total	693,350	748,780	1,442,130	82,774	88,605	171,379	123,214	125,140	248,354	1,861,863
Food	33,659	37,093	70,752	2,828	3,009	5,837	-	-	-	76,589
Resident expense	73,633	99,019	172,652	-	-	-	-	-	-	172,652
Repairs and maintenance	29,634	20,910	50,544	2	2	4	3	3	6	50,554
Contracted services	16,838	33,194	50,032	1,835	2,010	3,845	3,670	3,670	7,340	61,217
Depreciation	51,755	42,024	93,779	160	175	335	320	320	640	94,754
Insurance	17,561	24,893	42,454	508	557	1,065	1,016	1,016	2,032	45,551
Utilities	15,508	37,428	52,936	-	-	-	-	-	-	52,936
Auto	18,773	14,203	32,976	194	105	299	497	386	883	34,158
Household supplies	9,533	4,514	14,047	-	-	-	-	-	-	14,047
Miscellaneous	2,539	2,356	4,895	427	400	827	-	-	-	5,722
Postage and supplies	3,096	4,605	7,701	12,664	11,676	24,340	3,348	3,342	6,690	38,731
Professional fees	1,664	3,461	5,125	23,742	23,767	47,509	3,401	3,401	6,802	59,436
Staff development	1,936	1,784	3,720	1,347	1,392	2,739	430	430	860	7,319
Telephone	7,441	12,091	19,532	381	418	799	763	763	1,526	21,857
Rent	4,308	20,260	24,568	5,322	5,829	11,151	10,644	10,644	21,288	57,007
Promotion and fundraising	-	-	-	-	-	-	36,390	43,844	80,234	80,234
Total expenses	$ 981,228	$ 1,106,615	$ 2,087,843	$ 132,184	$ 137,945	$ 270,129	$ 183,696	$ 192,959	$ 376,655	$ 2,734,627

See notes to financial statements.

OUR LADY'S INN

STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program services			Management and general			Fundraising			
	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	Total expenses
Salaries	$ 556,701	$ 607,759	$ 1,164,460	$ 61,418	$ 66,144	$ 127,562	$ 103,590	$ 105,610	$ 209,200	$ 1,501,222
Employee benefits and taxes	86,611	93,558	180,169	10,379	11,881	22,260	14,535	14,687	29,222	231,651
Total	643,312	701,317	1,344,629	71,797	78,025	149,822	118,125	120,297	238,422	1,732,873
Food	31,198	42,502	73,700	3,109	3,704	6,813	-	-	-	80,513
Resident expense	85,890	134,782	220,672	-	-	-	-	-	-	220,672
Repairs and maintenance	28,676	14,260	42,936	6	7	13	16	16	32	42,981
Contracted services	16,081	34,860	50,941	1,904	2,142	4,046	4,999	4,999	9,998	64,985
Depreciation	47,930	28,839	76,769	137	154	291	360	360	720	77,780
Insurance	16,933	23,839	40,772	351	395	746	922	922	1,844	43,362
Utilities	14,325	32,480	46,805	-	-	-	-	-	-	46,805
Auto	18,054	18,298	36,352	164	130	294	660	514	1,174	37,820
Household supplies	7,760	3,916	11,676	-	-	-	-	-	-	11,676
Miscellaneous	2,387	1,758	4,145	983	1,254	2,237	-	-	-	6,382
Postage and supplies	3,776	7,547	11,323	5,672	5,526	11,198	6,045	6,039	12,084	34,605
Professional fees	8,256	10,318	18,574	21,153	21,153	42,306	2,292	2,292	4,584	65,464
Staff development	2,386	2,512	4,898	67	67	134	257	257	514	5,546
Telephone	6,929	10,559	17,488	42	48	90	111	111	222	17,800
Rent	3,329	19,662	22,991	4,439	4,994	9,433	11,651	11,652	23,303	55,727
Promotion and fundraising	-	-	-	-	-	-	47,358	53,744	101,102	101,102
Total expenses	$ 937,222	$ 1,087,449	$ 2,024,671	$ 109,824	$ 117,599	$ 227,423	$ 192,796	$ 201,203	$ 393,999	$ 2,646,093

See notes to financial statements.

OUR LADY'S INN

STATEMENTS OF CHANGES IN NET ASSETS
Year ended December 31, 2018 and 2017

	Without donor restrictions	With donor restrictions	Total
Balance at January 1, 2017	$ 2,447,148	$ 830,704	$ 3,277,852
Increase in net assets	224,589	138,247	362,836
Balance at December 31, 2017	2,671,737	968,951	3,640,688
Increase (decrease) in net assets	1,130,490	(59,157)	1,071,333
Balance at December 31, 2018	$ 3,802,227	$ 909,794	$ 4,712,021

See notes to financial statements.

OUR LADY'S INN

STATEMENTS OF CASH FLOWS
Year ended December 31,

	2018	2017
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Increase in net assets	$ 1,071,333	$ 362,836
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	94,754	77,780
Gain on sale of assets	(100)	-
Realized and unrealized loss (gain) on investments	55,955	(82,844)
(Increase) decrease in assets		
Contributions and grants receivable	27,434	(54,769)
Prepaid expenses	(1,978)	1,168
Increase (decrease) in liabilities		
Accounts payable	-	(1,064)
Deferred revenue	(20,717)	20,717
Accrued liabilities	45,588	28,660
Total adjustments	200,936	(10,352)
Net cash provided by operating activities	1,272,269	352,484
Cash flows from investing activities		
Purchase of property and equipment	(69,178)	(59,935)
Proceeds from the sale of assets	100	-
Proceeds from the sale of investments	992,715	628,726
Purchases of investments	(1,832,744)	(649,848)
Net cash used in investing activities	(909,107)	(81,057)
NET INCREASE IN CASH AND CASH EQUIVALENTS	363,162	271,427
Cash and cash equivalents, beginning of year	693,721	422,294
Cash and cash equivalents, end of year	$ 1,056,883	$ 693,721

See notes to financial statements.

NOTE 1 – NATURE OF ENTITY

Our Lady's Inn (Agency), a not-for-profit corporation, is an emergency residential shelter for homeless pregnant women eighteen years of age and older and their minor dependent children. Our Lady's Inn operates two maternity shelters serving the St. Louis and St. Charles metropolitan communities. Our Lady's Inn provides: a safe home; pre- and post-natal nursing care; counseling and case management; vocational and educational guidance; mental health and addictions treatment referrals; housing counseling and essential basic needs such as food, clothing, and children's items. Our Lady's Inn also offers an extended aftercare program which provides material supports, continued case management, and referrals for an additional two years.

Between the two shelters, 30 homeless pregnant women and their children are sheltered and cared for each day. The St. Charles shelter can accommodate up to 12 families and the St. Louis shelter can accommodate up to 18 families.

In addition to the two residential shelters, Our Lady's Inn operates three long-term transitional housing apartments serving families who successfully completed the residential program but need further housing and social service support to transition into independent living. Our Lady's Inn operates the Twice Blessed Resale Shop as a social enterprise conveniently located about a block from the St. Louis shelter. It provides an opportunity for residents to gain much needed job experience and develop job skills, while serving as a small funding stream.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be satisfied by actions of the Agency or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction.

Cash Equivalents

The Agency considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalents which are considered part of the investment portfolios.

Contributions and Grants Receivable

The Agency considers contributions and grants receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal and most advantageous market for the asset or liability. Donated securities are recorded as a contribution at their fair value at the date of donation. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. See Note 5 for a discussion on fair value measurements.

Property and Equipment

Additions of property and equipment are recorded at cost if purchased or at fair value at the date of donation. Property and equipment acquisitions are capitalized if they are in excess of $5,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The estimated service lives of assets are as follows:

	Years
Building and improvements	3 – 40
Furniture and equipment	5 – 15
Automobiles	3 – 5

Revenue and Revenue Recognition

Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities. The financial statements do not reflect the value of certain volunteer services because they do not create or enhance nonfinancial assets or require specialized skills. Donated professional services, which meet recognition criteria prescribed by generally accepted accounting principles, are recorded at the respective fair values of the services received and contributed goods are recorded at fair value on the date of donation.

Use of Estimates

In preparing the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Agency qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3), and accordingly it is exempt from Federal income taxes under Internal Revenue Code Section 501(a) and similar provisions of state law. The Agency files federal information returns. These returns are generally subject to examination by the Internal Revenue Service for three years from the date they are filed.

Functional Allocation of Expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services as described in Note 13.

Recent Accounting Pronouncements

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 Agency implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no impact on total assets, liabilities, net assets or change in net assets upon adopting this new standard.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through March 25, 2019, the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILTY OF FINANCIAL ASSETS

The following represents financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of the Statement of Financial Position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 1,056,883	$ 693,721
Operating investments	688,004	377,930
Contributions and grants receivable	85,193	112,627
Endowment investments	1,357,631	883,631
Total financial assets	3,187,711	2,067,909
Contractual or donor-imposed restrictions		
Endowment funds		
Perpetual in nature	(314,503)	(314,503)
Unappropriated endowment income	(434,078)	(451,532)
Board designations		
Endowment funds	(609,050)	(117,596)
Capital improvements	-	(377,930)
	$ 1,830,080	$ 806,348

The Agency manages its liquidity by maintaining a minimum amount of cash and equivalents sufficient to cover approximately 2-3 months worth of operating expenses in various checking accounts. Any excess cash is invested with a short-term horizon and is available to support the Agency's current operations if needed. The Agency could also draw upon $50,000 of available line of credit as disclosed in Note 8 in the event of an unanticipated liquidity need.

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is available for general use, however, funds remain restricted until the board appropriates them for expenditure. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment funds of $609,050 and unappropriated endowment income of $434,078 as of December 31, 2018 subtracted above are subject to the spending policy described in Note 6. Although the Agency does not intend to spend from the endowment fund until the balance reaches $2,000,000, these amounts could be made available if necessary.

NOTE 4 – INVESTMENTS

Investments are comprised of the following at December 31,:

	2018	2017
Equity securities	$ 87,207	$ 32,010
Preferred stocks	359,850	229,363
Money market funds	423,619	427,617
Mutual funds	580,245	322,586
U.S. Treasury bonds	494,180	249,985
Certificate of deposit	100,534	-
	$ 2,045,635	$ 1,261,561

The following schedule summarizes the investments classification in the Statements of Financial Position at December 31,:

	2018	2017
Operating investments		
Undesignated	$ 688,004	$ -
Board designated for capital improvements	-	377,930
Endowment investments	1,357,631	883,631
	$ 2,045,635	$ 1,261,561

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended December 31,:

	2018	2017
Interest and dividends	$ 39,592	$ 22,811
Net realized and unrealized gain (loss)	(55,955)	82,844
Investment income (loss)	$ (16,363)	$ 105,655

NOTE 5 – FAIR VALUE MEASUREMENT

FASB *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in an inactive market;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in the methodologies used at December 31, 2018 and 2017.

When available, the Agency uses quoted prices to determine the fair value of investments. Investments in equity securities, preferred stocks, mutual funds, and U.S. Treasury bonds are valued based on the quoted market price of the investments on their respective exchange. These investments are Level 1.

Investments in money market funds are based on an amortized cost valuation method designed to maintain a net asset value (NAV) of $1 per share, which approximates fair value. Investments in certificates of deposits are based on cost plus accrued interest which approximates fair value. These investments are Level 2.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Agency's financial assets measured at estimated fair value on a recurring basis at December 31, 2018:

	Fair value measurement	Level 1	Level 2	Level 3
Investments				
Equity securities	$ 87,207	$ 87,207	$ -	$ -
Preferred stocks	359,850	359,850	-	-
Money market funds	423,619	-	423,619	-
Mutual funds	580,245	580,245	-	-
U.S. Treasury bonds	494,180	494,180	-	-
Certificate of deposit	100,534	-	100,534	-
	$ 2,045,635	$ 1,521,482	$ 524,153	$ -

The following table sets forth by level within the fair value hierarchy, the Agency's financial assets measured at estimated fair value on a recurring basis at December 31, 2017:

	Fair value measurement	Level 1	Level 2	Level 3
Investments				
Equity securities	$ 32,010	$ 32,010	$ -	$ -
Preferred stocks	229,363	229,363	-	-
Money market funds	427,617	-	427,617	-
Mutual funds	322,586	322,586	-	-
U.S. Treasury bonds	249,985	249,985	-	-
	$ 1,261,561	$ 833,944	$ 427,617	$ -

NOTE 6 – ENDOWMENT

The Agency's endowment consists of investments established to fund operations. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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 Board of Directors of the Agency has interpreted the Missouri Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts donated, and (c) any accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity (unappropriated endowment income) is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purposes of the Agency and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Agency
- The investment policies of the Agency

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment	$ 609,050	$ -	$ 609,050
Donor restricted endowment			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	314,503	314,503
Accumulated investment income	-	434,078	434,078
	$ 609,050	$ 748,581	$ 1,357,631

Endowment net assets composition by type of fund as of December 31, 2017 is as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment	$ 117,596	$ -	$ 117,596
Donor restricted endowment			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	314,503	314,503
Accumulated investment income	-	451,532	451,532
	$ 117,596	$ 766,035	$ 883,631

During the years ended December 31, 2018 and 2017, Our Lady's Inn's endowment net assets had the following activity:

	Without donor restrictions	With donor restrictions	Total
Beginning balance at January 1, 2017	$ 100,000	$ 682,473	$ 782,473
Investment return			
Interest and dividends	2,762	17,995	20,757
Net realized and unrealized gains	14,834	65,567	80,401
Ending balance at December 31, 2017	117,596	766,035	883,631
Board designated additions	500,000	-	500,000
Investment return			
Interest and dividends	11,102	18,307	29,409
Net realized and unrealized losses	(19,648)	(35,761)	(55,409)
Ending balance at December 31, 2018	$ 609,050	$ 748,581	$ 1,357,631

Endowment Management, Investment, and Spending Policies

The Agency's investment and spending policy for the endowment assets was designed to establish and grow the related assets to provide a predictable stream of funding to the Agency to defray the expenses of ordinary repairs or maintenance of any kind to or for any real or personal property owned by the Agency or defray any operating expense. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for donor-specified period(s) as well as any board designated funds. The Agency's policy is to enhance the principal, obtain competitive return and limit investment risk.

To satisfy its long-term rate of return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places an emphasis on fixed income investments to achieve its long-term objectives while limiting investment risk.

The Agency is currently in the position of developing the endowment fund and does not anticipate distributing any funds until the endowment balance reaches a sufficient level of $2 million unless an emergency situation should arise that would make a distribution necessary. Upon reaching the $2 million threshold, the Agency anticipates an appropriation of 5% of the average monthly assets on a calendar year basis for operations. If funding is not necessary, then the endowment should be allowed to continue to grow.

The following asset allocation parameters have been identified as appropriate in order to meet the long-term investment goals of the endowment:

Asset class	Range
Equity	40 – 50%
Fixed income	50 – 60%
Cash	0 – 5%

If actual weighting differs by more than 10% relative to the policy weighting, the Agency will take action to rebalance the portfolio.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31,:

	2018	2017
Building and improvements	$ 2,045,050	$ 2,035,070
Furniture and equipment	261,086	261,086
Automobiles	149,963	125,772
	2,456,099	2,421,928
Less accumulated depreciation	1,226,048	1,166,301
	1,230,051	1,255,627
Land	457,946	457,946
	$ 1,687,997	$ 1,713,573

NOTE 8 – LINE OF CREDIT

On March 31, 2018, the Agency entered into a revolving line of credit agreement with Enterprise Bank and Trust Company with maximum advances of $50,000 through March 31, 2019. The line of credit is unsecured and any outstanding balances accrue interest at .50% over the prime rate, with a minimum 5.5% and maximum 9.0% interest rate. The effective rate at December 31, 2018 was 6.0%. To date, there have been no draws on this line of credit.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor-imposed restrictions were restricted for the following purposes or periods at December 31,:

	2018	2017
Subject to expenditure for a specified purpose		
Capital equipment and improvements	$ -	$ 18,000
Sober living program	21,500	10,000
Strategic expansion	43,372	72,300
Maintenance of St. Louis playroom	10,000	-
Client support and other	63,407	81,701
	138,279	182,001
Subject to the passage of time		
Building use-time restricted	18,834	20,915
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until received	4,100	-
	22,934	20,915
Subject to appropriation by the Board of Directors		
Unappropriated endowment income	434,078	451,532
Not subject to spending policy or appropriation		
Donor-restricted endowment funds	314,503	314,503
	$ 909,794	$ 968,951

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or periods specified by the donors as follows, for the years ended December 31,:

	2018	2017
Satisfaction of purpose restrictions		
Capital equipment and improvements	$ 18,000	$ 59,000
Sober living program	10,000	-
Strategic expansion	28,928	-
Client support and other	22,370	1,332
	79,298	60,332
Expiration of time restrictions		
Building use-time restricted	2,081	2,081
	$ 81,379	$ 62,413

NOTE 10 – BENEFIT PLAN

The Agency adopted a 403(b) tax sheltered annuity plan (the Plan) which covers substantially all employees after an initial period of service. Participants may defer up to 10% of their annual compensation, up to the maximum allowable under current Internal Revenue Service regulations. The Agency matches amounts contributed into the Plan by eligible employees up to 3% of the employees' compensation. Eligible employees are fully vested in the Agency's matching contribution. The Agency may elect to make an additional contribution to the Plan annually. Plan expense was $63,415 and $14,547 for the years ended December 31, 2018 and 2017, respectively. The 2018 expense included $43,046 of contributions and lost earnings to correct the Plan related to the Plan using an incorrect definition of compensation dating back to 2009.

NOTE 11 – OPERATING LEASE COMMITMENTS

The Agency leases property for its administrative headquarters and aftercare center under an operating lease which expires November 2021. The Agency also leases equipment and retail space under operating leases which expire at various dates through July 2023. The minimum rental commitments under these operating leases are as follows:

Year ended December 31,		
2019	$	108,441
2020		98,277
2021		94,361
2022		51,292
2023		21,567
Total minimum payments required	$	373,938

Total lease expense for property and equipment for the years ended December 31, 2018 and 2017, was $105,606 and $109,224, respectively.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances at various financial institutions which provide insurance through the Federal Deposit Insurance Corporation. From time to time, cash balances may exceed Federal insurance limits. The Agency has not experienced any losses in the accounts with the financial institutions and believes it is not exposed to any significant credit risk on its cash.

The Agency has a significant amount of investments. Investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with investments it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

NOTE 13 – FUNCTIONAL EXPENSES

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 allocated include salaries, employee benefits and taxes, rent, repairs and maintenance, contracted services, depreciation, insurance, utilities, and telephone which are allocated on the basis of estimated time and effort.

NOTE 14 – CONTRIBUTED GOODS AND SERVICES

The Agency receives contributed goods and services, which would have to be purchased if not provided by donation. Contributed services are recognized in the financial statements if the services received create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills. Contributed goods and services are recorded at the estimated fair value at the date of the contribution. Contributed goods and services recognized in the financial statements during the years ended December 31, 2018 and 2017, are as follows:

	2018	2017
Food, clothing and supplies	$ 192,170	$ 250,191
Counseling, medical and educational services	2,422	2,168
Other	2,299	1,250
	$ 196,891	$ 253,609