

**OUR LADY'S INN**  
**FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

# **OUR LADY'S INN**

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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, 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.

### 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, 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.

*Kerber, Eck & Braeckel LLP*

St. Louis, Missouri  
March 30, 2020

# OUR LADY'S INN

## STATEMENTS OF FINANCIAL POSITION

December 31,

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 898,962	\$ 1,051,801
Operating investments	703,348	688,004
Contributions and grants receivable	98,918	85,193
Prepaid expenses	4,158	22,543
Property and equipment, net	1,605,640	1,687,997
Endowment investments	1,685,302	1,357,631
Cash held for others	5,065	5,082
Total assets	<u>\$ 5,001,393</u>	<u>\$ 4,898,251</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,904	\$ -
Accrued liabilities	180,150	186,230
Total liabilities	186,054	186,230
<b>Net assets</b>		
Without donor restrictions		
Undesignated	3,007,550	3,193,177
Board designated endowment	756,048	609,050
	<u>3,763,598</u>	<u>3,802,227</u>
With donor restrictions	1,051,741	909,794
Total net assets	<u>4,815,339</u>	<u>4,712,021</u>
Total liabilities and net assets	<u>\$ 5,001,393</u>	<u>\$ 4,898,251</u>

See notes to financial statements.



## OUR LADY'S INN

### STATEMENTS OF ACTIVITIES

Year ended December 31,

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Government grants	\$ 757,462	\$ -	\$ 757,462	\$ 781,110	\$ -	\$ 781,110
Donations	1,649,060	46,355	1,695,415	2,897,141	39,676	2,936,817
Investment income (loss)	173,306	180,673	353,979	1,091	(17,454)	(16,363)
Tenant rents	3,800	-	3,800	4,001	-	4,001
Thrift shop	95,637	-	95,637	89,899	-	89,899
Other	6,970	-	6,970	10,496	-	10,496
	<u>2,686,235</u>	<u>227,028</u>	<u>2,913,263</u>	<u>3,783,738</u>	<u>22,222</u>	<u>3,805,960</u>
Net assets released from restrictions						
Satisfaction of program restrictions	79,404	(79,404)	-	79,298	(79,298)	-
Expiration of time restrictions	5,677	(5,677)	-	2,081	(2,081)	-
	<u>85,081</u>	<u>(85,081)</u>	<u>-</u>	<u>81,379</u>	<u>(81,379)</u>	<u>-</u>
Total support and revenue	<u>2,771,316</u>	<u>141,947</u>	<u>2,913,263</u>	<u>3,865,117</u>	<u>(59,157)</u>	<u>3,805,960</u>
Expenses						
Program services	2,136,865	-	2,136,865	2,087,843	-	2,087,843
Management and general	313,398	-	313,398	270,129	-	270,129
Fundraising	359,682	-	359,682	376,655	-	376,655
	<u>2,809,945</u>	<u>-</u>	<u>2,809,945</u>	<u>2,734,627</u>	<u>-</u>	<u>2,734,627</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(38,629)</u>	<u>141,947</u>	<u>103,318</u>	<u>1,130,490</u>	<u>(59,157)</u>	<u>1,071,333</u>
Net assets at beginning of year	<u>3,802,227</u>	<u>909,794</u>	<u>4,712,021</u>	<u>2,671,737</u>	<u>968,951</u>	<u>3,640,688</u>
Net assets at end of year	<u>\$ 3,763,598</u>	<u>\$ 1,051,741</u>	<u>\$ 4,815,339</u>	<u>\$ 3,802,227</u>	<u>\$ 909,794</u>	<u>\$ 4,712,021</u>

See notes to financial statements.

## OUR LADY'S INN

### STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program services			Management and general			Fundraising			Total expenses
	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	
Salaries	\$ 626,864	\$ 689,620	\$ 1,316,484	\$ 98,999	\$ 98,999	\$ 197,998	\$ 105,547	\$ 105,547	\$ 211,094	\$ 1,725,576
Employee benefits and taxes	93,122	98,044	191,166	13,768	13,768	27,536	14,901	14,901	29,802	248,504
Total	719,986	787,664	1,507,650	112,767	112,767	225,534	120,448	120,448	240,896	1,974,080
Food	27,454	35,520	62,974	2,663	3,088	5,751	-	-	-	68,725
Resident expense	55,930	98,805	154,735	-	-	-	-	-	-	154,735
Repairs and maintenance	28,155	23,336	51,491	80	80	160	104	104	208	51,859
Contracted services	20,542	38,889	59,431	2,665	2,665	5,330	3,438	3,438	6,876	71,637
Depreciation	56,424	42,725	99,149	213	213	426	274	274	548	100,123
Insurance	18,645	25,298	43,943	827	827	1,654	1,067	1,067	2,134	47,731
Utilities	15,512	32,835	48,347	-	-	-	-	-	-	48,347
Auto	14,191	13,347	27,538	266	266	532	453	453	906	28,976
Household supplies	6,590	4,841	11,431	-	-	-	-	-	-	11,431
Miscellaneous	1,948	1,333	3,281	307	306	613	-	-	-	3,894
Postage and supplies	6,508	8,347	14,855	6,220	6,220	12,440	5,214	5,214	10,428	37,723
Professional fees	101	2,051	2,152	21,038	21,038	42,076	2,409	2,409	4,818	49,046
Staff development	2,902	3,630	6,532	2,063	2,063	4,126	172	172	344	11,002
Telephone	7,124	11,256	18,380	250	250	500	322	322	644	19,524
Rent	4,369	20,607	24,976	7,128	7,128	14,256	9,197	9,197	18,394	57,626
Promotion and fundraising	-	-	-	-	-	-	37,765	35,721	73,486	73,486
Total expenses	<u>\$ 986,381</u>	<u>\$ 1,150,484</u>	<u>\$ 2,136,865</u>	<u>\$ 156,487</u>	<u>\$ 156,911</u>	<u>\$ 313,398</u>	<u>\$ 180,863</u>	<u>\$ 178,819</u>	<u>\$ 359,682</u>	<u>\$ 2,809,945</u>

See notes to financial statements.

# OUR LADY'S INN

## STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program services			Management and general			Fundraising			Total expenses
	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	St. Charles	St. Louis	Total	
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 CASH FLOWS

Year ended December 31,

	2019	2018
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Increase in net assets	\$ 103,318	\$ 1,071,333
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	100,123	94,754
Gain on sale of assets	-	(100)
Realized and unrealized loss (gain) on investments	(293,369)	55,955
(Increase) decrease in assets		
Contributions and grants receivable	(13,725)	27,434
Prepaid expenses	18,385	(1,978)
Increase (decrease) in liabilities		
Accounts payable	5,904	-
Deferred revenue	-	(20,717)
Accrued liabilities	(6,080)	45,588
Total adjustments	(188,762)	200,936
Net cash provided by (used in) operating activities	(85,444)	1,272,269
Cash flows from investing activities		
Purchase of property and equipment	(17,766)	(69,178)
Proceeds from the sale of assets	-	100
Proceeds from the sale of investments	1,015,515	992,715
Purchases of investments	(1,065,161)	(1,832,744)
Net cash used in investing activities	(67,412)	(909,107)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(152,856)	363,162
Cash and cash equivalents, beginning of year	1,056,883	693,721
Cash and cash equivalents, end of year	\$ 904,027	\$ 1,056,883
Reconciliation of cash and cash equivalents to statements of financial position		
Cash and cash equivalents	\$ 898,962	\$ 1,051,801
Cash held for others	5,065	5,082
Total cash and cash equivalents	\$ 904,027	\$ 1,056,883

See notes to financial statements.

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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### 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, transportation, and computer/IT access. Our Lady's Inn also offers an extended aftercare program which provides material supports, continued case management, and referrals for an additional two years.

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

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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### **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.

### **Cash Held for Others**

Cash held for others represent the liability for assets held by the Agency for the residents. These assets belong to the residents and are not available to be used in the daily operations of the Agency.

### **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 4 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:

	<u>Years</u>
Building and improvements	3 – 40
Furniture and equipment	5 – 15
Automobiles	3 – 5

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Payments under cost-reimbursable grant 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.

### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 – LIQUIDITY AND AVAILABILITY 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,	
	2019	2018
Cash and cash equivalents	\$ 898,962	\$ 1,051,801
Operating investments	703,348	688,004
Contributions and grants receivable	98,918	85,193
Endowment investments	1,685,302	1,357,631
Cash held for others	5,065	5,082
Total financial assets	3,386,530	3,182,629
Contractual or donor-imposed restrictions		
Endowment funds		
Perpetual in nature	(314,503)	(314,503)
Unappropriated endowment income	(614,751)	(434,078)
Restricted by donors for specified purpose	(103,685)	(138,279)
Board designations		
Endowment funds	(756,048)	(609,050)
Cash held for others	(5,065)	(5,082)
	<u>\$ 1,592,478</u>	<u>\$ 1,681,637</u>

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 7 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 \$756,048 and unappropriated endowment income of \$614,751 as of December 31, 2019 subtracted above are subject to the spending policy described in Note 5.



# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 – 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, 2019 and 2018.

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.

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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, 2019:

	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Operating investments				
Money market funds	\$ 28,529	\$ -	\$ 28,529	\$ -
Mutual funds	572,117	572,117	-	-
Certificate of deposit	102,702	-	102,702	-
Total operating investments	703,348	572,117	131,231	-
Endowment investments				
Money market funds	83,295	-	83,295	-
Mutual funds	1,273,569	1,273,569	-	-
Preferred stocks	328,438	328,438	-	-
Total endowment investments	1,685,302	1,602,007	83,295	-
Total	<u>\$ 2,388,650</u>	<u>\$ 2,174,124</u>	<u>\$ 214,526</u>	<u>\$ -</u>

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:

	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Operating investments				
Money market funds	\$ 93,290	\$ -	\$ 93,290	\$ -
U.S. Treasury bonds	494,180	494,180	-	-
Certificate of deposit	100,534	-	100,534	-
Total operating investments	688,004	494,180	193,824	-
Endowment investments				
Money market funds	330,329	-	330,329	-
Mutual funds	580,245	580,245	-	-
Preferred stocks	359,850	359,850	-	-
Equity securities	87,207	87,207	-	-
Total endowment investments	1,357,631	1,027,302	330,329	-
Total	<u>\$ 2,045,635</u>	<u>\$ 1,521,482</u>	<u>\$ 524,153</u>	<u>\$ -</u>

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 – 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, 2019 is as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment	\$ 756,048	\$ -	\$ 756,048
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	-	614,751	614,751
	<u>\$ 756,048</u>	<u>\$ 929,254</u>	<u>\$ 1,685,302</u>

## OUR LADY'S INN

### NOTES TO FINANCIAL STATEMENTS

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Endowment net assets 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
	<u>\$ 609,050</u>	<u>\$ 748,581</u>	<u>\$ 1,357,631</u>

During the years ended December 31, 2019 and 2018, Our Lady's Inn's endowment net assets had the following activity:

	Without donor restrictions	With donor restrictions	Total
Beginning balance at January 1, 2018	\$ 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
Investment return			
Interest and dividends	17,231	21,177	38,408
Net realized and unrealized gains	129,767	159,496	289,263
Ending balance at December 31, 2019	<u>\$ 756,048</u>	<u>\$ 929,254</u>	<u>\$ 1,685,302</u>

#### **Endowment Management, Investment, and Spending Policies**

The Agency's investment and spending policy for the endowment assets was designed to provide financial support to fund the mission of the Agency into the future. 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 provide capital appreciation with a moderate risk tolerance over a long time horizon.

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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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 is in line with the risk and return objectives.

The Agency is currently in the position of growing the endowment fund and does not anticipate distributing any funds until the endowment balance reaches a level that the Board determines is sufficient unless an emergency situation should arise that would make a distribution necessary.

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

<u>Asset class</u>	<u>Range</u>
Equity	50 – 70%
Fixed income	30 – 50%
Cash	0 – 5%

The Agency will take action to rebalance the portfolio if the asset allocation moves outside the target ranges or when there is a significant cash in/outflow.

### NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 2,062,816	\$ 2,045,050
Furniture and equipment	261,086	261,086
Automobiles	149,963	149,963
	<u>2,473,865</u>	<u>2,456,099</u>
Less accumulated depreciation	<u>1,326,171</u>	<u>1,226,048</u>
	<u>1,147,694</u>	<u>1,230,051</u>
Land	<u>457,946</u>	<u>457,946</u>
	<u>\$ 1,605,640</u>	<u>\$ 1,687,997</u>

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – LINE OF CREDIT

On March 30, 2019, the Agency entered into a revolving line of credit agreement with Enterprise Bank and Trust Company with maximum advances of \$50,000 through March 30, 2021. 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, 2019 was 5.5%. To date, there have been no draws on this line of credit.

### NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose		
Sober living program	\$ 25,000	\$ 21,500
Strategic expansion	-	43,372
Maintenance of St. Louis playroom	-	10,000
Client support and other	78,685	63,407
	<u>103,685</u>	<u>138,279</u>
Subject to the passage of time		
Building use-time restricted	17,257	18,834
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until received	1,545	4,100
	<u>18,802</u>	<u>22,934</u>
Subject to appropriation by the Board of Directors		
Unappropriated endowment income	614,751	434,078
Not subject to spending policy or appropriation		
Donor-restricted endowment funds	314,503	314,503
	<u>\$ 1,051,741</u>	<u>\$ 909,794</u>

## OUR LADY'S INN

### NOTES TO FINANCIAL STATEMENTS

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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,:

	2019	2018
Satisfaction of purpose restrictions		
Capital equipment and improvements	\$ -	\$ 18,000
Sober living program	21,500	10,000
Strategic expansion	43,372	28,928
Client support and other	14,532	22,370
	<u>79,404</u>	<u>79,298</u>
Expiration of time restrictions		
Received funds	4,100	-
Building use-time restricted	1,577	2,081
	<u>5,677</u>	<u>2,081</u>
	<u>\$ 85,081</u>	<u>\$ 81,379</u>

#### NOTE 9 – BENEFIT PLAN

The Agency adopted a 403(b) tax sheltered annuity plan (the Plan) which covers employees after an initial period of service that meet the eligibility criteria. Participants may defer up to the maximum allowable under current Internal Revenue Service regulations. The Agency has discretion to make matching contributions equal to a uniform percentage or dollar amount each year. Eligible employees are fully vested in the Agency's matching contribution. Plan expense was \$30,087 and \$63,415 for the years ended December 31, 2019 and 2018, respectively. The 2018 expense included \$43,046 of contributions and lost earnings to correct the Plan related to using an incorrect definition of compensation dating back to 2009.

#### NOTE 10 – 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.

# OUR LADY'S INN

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11 – OPERATING LEASE COMMITMENTS

The Agency leases property for its administrative headquarters and aftercare center under an operating lease which expires November 2022. The Agency also leases equipment and retail space under operating leases which expire at various dates through December 2024. The minimum rental commitments under these operating leases are as follows:

Year ended December 31,	
2020	\$ 112,116
2021	101,263
2022	101,311
2023	23,228
2024	<u>915</u>
Total minimum payments required	<u>\$ 338,833</u>

Total lease expense for property and equipment for the years ended December 31, 2019 and 2018, was \$110,684 and \$105,606, respectively.

### NOTE 12 – 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 are as follows during the years ended December 31,:

	<u>2019</u>	<u>2018</u>
Food, clothing and supplies	\$ 182,570	\$ 192,170
Counseling, medical and educational services	2,093	2,422
Other	<u>1,200</u>	<u>2,299</u>
	<u>\$ 185,863</u>	<u>\$ 196,891</u>



# **OUR LADY'S INN**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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 telecommunications which are allocated on the basis of estimated time and effort.

### **NOTE 14 – SUBSEQUENT EVENTS**

We have evaluated subsequent events through March 30, 2020, the date the financial statements were available to be issued.

On February 10, 2020, the Agency sold the Transitional House property located at 4109 Michigan Avenue, that was being used in operations until January 2020, for \$140,000. The book value of the property at the date of the sale was \$116,740, resulting in a gain on the sale of \$23,260.

The World Health Organization (WHO) declared Coronavirus Disease 2019 (COVID-19) a global pandemic on March 11, 2020. On March 13, 2020, the President of the United States of America issued an emergency declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 in response to the ongoing COVID-19 pandemic. These emergency declarations triggered market and economic uncertainty. This has caused investments at fair value to experience declines and creates uncertainty surrounding COVID-19 and its effects on the market and economy. The long-term effects of COVID-19 on the markets and economy is not reasonably determinable; therefore, no adjustments or provisions have been made related to COVID-19.