



FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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 not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 29, 2021

Our Lady's Inn
STATEMENTS OF FINANCIAL POSITION
December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 920,665	\$ 898,962
Operating investments	996,082	703,348
Contributions and grants receivable	339,447	98,918
Prepaid expenses	6,104	4,158
Property and equipment, net	1,434,894	1,605,640
Endowment investments	2,072,459	1,685,302
Cash held for others	2,884	5,065
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Total assets	\$ 5,772,535	\$ 5,001,393
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LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 19,089	\$ 5,904
Accrued liabilities	104,853	180,150
	<hr/>	<hr/>
Total liabilities	123,942	186,054
Net assets		
Without donor restrictions		
Undesignated	3,233,839	3,007,550
Board designated endowment	929,731	756,048
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	4,163,570	3,763,598
With donor restrictions	1,485,023	1,051,741
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Total net assets	5,648,593	4,815,339
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Total liabilities and net assets	\$ 5,772,535	\$ 5,001,393
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The accompanying notes are an integral part of these statements.

Our Lady's Inn
STATEMENTS OF ACTIVITIES
Year ended December 31,

	<u>2020</u>			<u>2019</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Government grants	\$ 760,307	\$ -	\$ 760,307	\$ 757,462	\$ -	\$ 757,462
Grant - Paycheck Protection Program	336,600	-	336,600	-	-	-
Donations	1,446,333	268,135	1,714,468	1,423,721	46,355	1,470,076
Investment income, net	191,389	213,474	404,863	173,306	180,673	353,979
Tenant rents	-	-	-	3,800	-	3,800
Thrift shop	69,430	-	69,430	95,637	-	95,637
Special events, net of direct expenses	94,905	-	94,905	173,451	-	173,451
Other	15,904	-	15,904	6,970	-	6,970
	<u>2,914,868</u>	<u>481,609</u>	<u>3,396,477</u>	<u>2,634,347</u>	<u>227,028</u>	<u>2,861,375</u>
Net assets released from restrictions						
Satisfaction of program restrictions	40,649	(40,649)	-	79,404	(79,404)	-
Expiration of time restrictions	7,678	(7,678)	-	5,677	(5,677)	-
	<u>48,327</u>	<u>(48,327)</u>	<u>-</u>	<u>85,081</u>	<u>(85,081)</u>	<u>-</u>
Total support and revenue	2,963,195	433,282	3,396,477	2,719,428	141,947	2,861,375
Expenses						
Program services	1,938,213	-	1,938,213	2,136,865	-	2,136,865
Management and general	313,936	-	313,936	313,398	-	313,398
Fundraising	311,074	-	311,074	307,794	-	307,794
	<u>2,563,223</u>	<u>-</u>	<u>2,563,223</u>	<u>2,758,057</u>	<u>-</u>	<u>2,758,057</u>
INCREASE (DECREASE) IN NET ASSETS	399,972	433,282	833,254	(38,629)	141,947	103,318
Net assets at beginning 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>
Net assets at end of year	<u>\$ 4,163,570</u>	<u>\$ 1,485,023</u>	<u>\$ 5,648,593</u>	<u>\$ 3,763,598</u>	<u>\$ 1,051,741</u>	<u>\$ 4,815,339</u>

The accompanying notes are an integral part of these statements.

Our Lady's Inn
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2020

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 1,222,604	\$ 190,400	\$ 217,289	\$ 1,630,293
Employee benefits and taxes	177,849	22,745	32,062	232,656
Total	1,400,453	213,145	249,351	1,862,949
Client expense	143,297	-	-	143,297
Food and beverage	36,307	656	-	36,963
Transportation expense	14,432	191	364	14,987
Facilities	208,858	16,019	22,774	247,651
Staff development	2,255	1,636	792	4,683
Office expense	8,569	4,186	5,196	17,951
Professional fees	8,057	66,493	-	74,550
Business insurance	45,623	2,286	2,293	50,202
Info Tech/Telecom	63,852	6,626	11,322	81,800
Development/Public relations	4,184	717	18,982	23,883
Fundraising event expense	-	-	31,284	31,284
Miscellaneous	2,326	1,981	-	4,307
Total expenses by function	1,938,213	313,936	342,358	2,594,507
Less expenses included with revenues on the statements of activities	-	-	(31,284)	(31,284)
Total expenses	\$ 1,938,213	\$ 313,936	\$ 311,074	\$ 2,563,223

The accompanying notes are an integral part of these statements.

Our Lady's Inn
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 1,316,484	\$ 197,998	\$ 211,094	\$ 1,725,576
Employee benefits and taxes	191,166	27,536	29,802	248,504
Total	1,507,650	225,534	240,896	1,974,080
Client expense	166,166	-	-	166,166
Food and beverage	62,974	5,751	-	68,725
Transportation expense	27,538	532	906	28,976
Facilities	242,309	15,212	19,624	277,145
Staff development	11,384	4,688	1,069	17,141
Office expense	10,003	11,878	9,703	31,584
Professional fees	2,152	42,076	4,818	49,046
Business insurance	43,943	1,654	2,134	47,731
Info Tech/Telecom	59,465	5,460	7,045	71,970
Development/Public relations	-	-	21,599	21,599
Fundraising event expense	-	-	51,888	51,888
Miscellaneous	3,281	613	-	3,894
Total expenses by function	2,136,865	313,398	359,682	2,809,945
Less expenses included with revenues on the statements of activities	-	-	(51,888)	(51,888)
Total expenses	\$ 2,136,865	\$ 313,398	\$ 307,794	\$ 2,758,057

The accompanying notes are an integral part of these statements.

Our Lady's Inn
STATEMENTS OF CASH FLOWS
Year ended December 31,

	<u>2020</u>	<u>2019</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Increase in net assets	\$ 833,254	\$ 103,318
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	92,374	100,123
Gain on sale of assets	(11,714)	-
Realized and unrealized gain on investments	(359,237)	(293,369)
(Increase) decrease in assets		
Contributions and grants receivable	(240,529)	(13,725)
Prepaid expenses	(1,946)	18,385
Increase (decrease) in liabilities		
Accounts payable	13,185	5,904
Accrued liabilities	(75,297)	(6,080)
Total adjustments	<u>(583,164)</u>	<u>(188,762)</u>
Net cash provided by (used in) operating activities	250,090	(85,444)
Cash flows from investing activities		
Purchase of property and equipment	(38,367)	(17,766)
Proceeds from the sale of assets	128,453	-
Proceeds from the sale of investments	1,096,448	1,015,515
Purchases of investments	<u>(1,417,102)</u>	<u>(1,065,161)</u>
Net cash used in investing activities	<u>(230,568)</u>	<u>(67,412)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,522	(152,856)
Cash and cash equivalents, beginning of year	<u>904,027</u>	<u>1,056,883</u>
Cash and cash equivalents, end of year	<u>\$ 923,549</u>	<u>\$ 904,027</u>
Reconciliation of cash and cash equivalents to statements of financial position		
Cash and cash equivalents	\$ 920,665	\$ 898,962
Cash held for others	2,884	5,065
Total cash and cash equivalents	<u>\$ 923,549</u>	<u>\$ 904,027</u>

The accompanying notes are an integral part of these statements.

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

NOTE A | NATURE OF ENTITY

Our Lady's Inn (Agency), a not-for-profit corporation, provides shelter and individualized supportive services for homeless pregnant women and their children, with a focus on healthy birth outcomes, family wellness and movement toward housing stability. Services include case management, material supports, counseling, life skills education, parenting, employment readiness, mental health and addictions treatment support as well as peri-natal nursing support. In 2020, despite all the challenges associated with the COVID-19 pandemic, OLI remained opened with socially distanced reduced capacity, providing 10,563 days of care/nights of shelter and on-site services to 78 families. In the 2-year Aftercare Program, an additional 62 families were supported. In December, 43 families including 80 children benefited from participation in the Our Lady's Inn's Adopt a Family Christmas Program. Adhering to strict sanitizing, masking, and social distancing protocols, and restricting visitor's and volunteer's access to the facilities, Our Lady's Inn had ZERO cases of COVID-19 among the mothers and children living at the Inn. Existing spaces were reconfigured to allow for quarantine of incoming families and to accommodate virtual learning for those requiring such. No services were discontinued during the pandemic; some counseling and educational services were delivered virtually.

In 2020, the St. Louis Inn location 3,833 nights of shelter/days of care were provided for a total of 47 women and 35 children. Seven babies were born in residence, with an average birth weight 7lbs 2 oz and gestational age of 38 weeks and 6 days. The average length of stay for those families moving from the Inn in 2020 was 65 days. The Inn received 247 unduplicated calls for help from pregnant women.

In 2020, the St. Charles Inn location 6,730 nights of shelter/days of care were provided to a total of 31 women and 37 children. Eleven babies were born in residence with an average birth weight of 6lbs 7 oz and gestational age of 37 weeks and 5 days. The average length of stay for those families moving from the Inn in 2020 was 123 days. The Inn received 124 unduplicated calls for help from pregnant women.

Twice Blessed Resale Shop is operated by Our Lady's Inn as a social enterprise, providing a small revenue stream in support of the Inn, but more importantly, offering job training and work experience for those clients of the Inn who wish to participate.

NOTE B | 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.

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

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.

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 D for a discussion on fair value measurements.

Our Lady’s Inn
NOTES TO FINANCIAL STATEMENTS

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

Revenue and Revenue Recognition

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Thrift shop sales are recognized at the time of sale. Special events revenue is recorded equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

Revenue derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when the qualifying expenditures have been incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts were received in advance under these contracts and grants for the years ended December 31, 2020 or 2019. The Agency received cost-reimbursable grants of \$277,739 and \$172,469 that have not been recognized at December 31, 2020 and 2019, respectively because qualifying expenditures have not yet been incurred.

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.

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

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 M.

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.

Subsequent events

In preparing the financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through March 29, 2021, the date the financial statements were available to be issued.

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

NOTE C | 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.

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 920,665	\$ 898,962
Operating investments	996,082	703,348
Contributions and grants receivable	339,447	98,918
Endowment investments	2,072,459	1,685,302
Cash held for others	2,884	5,065
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Total financial assets	4,328,653	3,386,530
Contractual or donor-imposed restrictions		
Endowment funds		
Perpetual in nature	(314,503)	(314,503)
Unappropriated endowment income	(828,225)	(614,751)
Restricted by donors for specified purpose	(121,171)	(103,685)
Board designations		
Endowment funds	(929,731)	(756,048)
Cash held for others	(2,884)	(5,065)
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	\$ 2,132,139	\$ 1,592,478
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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 an available line of credit as disclosed in Note G 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 \$929,731 and unappropriated endowment income of \$828,225 as of December 31, 2020 subtracted above are subject to the spending policy described in Note E.

NOTE D | 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, 2020 and 2019.

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, 2020:

	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Operating investments				
Money market funds	\$ 8,771	\$ -	\$ 8,771	\$ -
Mutual and exchange traded funds	987,311	987,311	-	-
Total operating investments	996,082	987,311	8,771	-
Endowment investments				
Money market funds	9,651	-	9,651	-
Mutual and exchange traded funds	2,062,808	2,062,808	-	-
Total endowment investments	2,072,459	2,062,808	9,651	-
Total	\$ 3,068,541	\$ 3,050,119	\$ 18,422	\$ -

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 and exchange traded 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 and exchange traded 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	\$ 2,388,650	\$ 2,174,124	\$ 214,526	\$ -

Our Lady’s Inn
NOTES TO FINANCIAL STATEMENTS

NOTE E | 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, 2020 is as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment	\$ 929,731	\$ -	\$ 929,731
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	-	828,225	828,225
	\$ 929,731	\$ 1,142,728	\$ 2,072,459

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

Endowment net assets 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>

During the years ended December 31, 2020 and 2019, Our Lady's Inn's endowment net assets had the following activity:

	Without donor restrictions	With donor restrictions	Total
Beginning balance at January 1, 2019	\$ 609,050	\$ 748,581	\$ 1,357,631
Investment return			
Interest and dividends	17,231	21,177	38,408
Net realized and unrealized losses	129,767	159,496	289,263
Ending balance at December 31, 2019	756,048	929,254	1,685,302
Investment return			
Interest and dividends	14,015	17,226	31,241
Net realized and unrealized gains	159,668	196,248	355,916
Ending balance at December 31, 2020	<u>\$ 929,731</u>	<u>\$ 1,142,728</u>	<u>\$ 2,072,459</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.

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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 F | PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 1,864,720	\$ 2,062,816
Furniture and equipment	183,253	261,086
Automobiles	139,753	149,963
	<u>2,187,726</u>	<u>2,473,865</u>
Less accumulated depreciation	<u>1,222,254</u>	<u>1,326,171</u>
	965,472	1,147,694
Land	431,055	457,946
Construction in progress	38,367	-
	<u>\$ 1,434,894</u>	<u>\$ 1,605,640</u>

NOTE G | 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, 2020 was 5.5%. To date, there have been no draws on this line of credit.

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NOTE H | NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose		
Sober living program	\$ 25,000	\$ 25,000
New van purchase	15,000	-
Client support and other	81,171	78,685
	<u>121,171</u>	<u>103,685</u>
Subject to the passage of time		
Building use-time restricted	11,124	17,257
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until received	210,000	1,545
	<u>221,124</u>	<u>18,802</u>
Subject to appropriation by the Board of Directors		
Unappropriated endowment income	828,225	614,751
Not subject to spending policy or appropriation		
Donor-restricted endowment funds	<u>314,503</u>	<u>314,503</u>
	<u>\$ 1,485,023</u>	<u>\$ 1,051,741</u>

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,:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Sober living program	\$ 25,000	\$ 21,500
Strategic expansion	-	43,372
Client support and other	15,649	14,532
	<u>40,649</u>	<u>79,404</u>
Expiration of time restrictions		
Received funds	1,545	4,100
Building use-time restricted	6,133	1,577
	<u>7,678</u>	<u>5,677</u>
	<u>\$ 48,327</u>	<u>\$ 85,081</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE I | 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 \$36,566 and \$30,087 for the years ended December 31, 2020 and 2019, respectively.

NOTE J | 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 K | 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,		
2021	\$	110,357
2022		102,359
2023		23,665
2024		915
		<hr/>
Total minimum payments required	\$	<u>237,296</u>

Total lease expense for property and equipment for the years ended December 31, 2020 and 2019, was \$115,908 and \$110,684, respectively.

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NOTES TO FINANCIAL STATEMENTS

NOTE L | 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>2020</u>	<u>2019</u>
Food, clothing and supplies	\$ 128,437	\$ 182,570
Counseling, medical and educational services	244	2,093
Professional services	10,060	-
Other	2,745	1,200
	<u>\$ 141,486</u>	<u>\$ 185,863</u>

NOTE M | 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 N | PAYCHECK PROTECTION PROGRAM

On April 29, 2020, the Agency was granted a loan from Enterprise Bank & Trust in the amount of \$336,600, pursuant to the Paycheck Protection Program (the “PPP”) under division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note dated April 29, 2020, bears interest at a rate of 1.00% per annum. Funds from the loan may only be used for payroll costs, costs to continue group health care benefits, payments of interest on any covered mortgage obligation, and payments on any covered rent obligations or utility payments incurred during the twenty-four-week period commencing on the date of the first disbursement of the loan. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Agency used the entire loan amount for qualifying expenses during the covered period in 2020. The Agency received notice of forgiveness by the Small Business Association (SBA) on December 4, 2020. The Agency recognized the PPP funds as a conditional grant in accordance with the Financial Accounting Standards Board (FASB) ASC 958-065. As of December 31, 2020, all conditions were met, revenue of \$336,600 is recognized in the statement of activities for the year then ended.

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NOTES TO FINANCIAL STATEMENTS

NOTE O | RISKS AND UNCERTAINTIES

As a result of Coronavirus Disease 2019 (COVID-19), which was declared a pandemic on March 11, 2020, the United States Federal Government, State and Local governments, and other countries around the world have taken measures that have suddenly limited economic output. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its donors, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Agency's financial condition or results of operations is uncertain.