



FINANCIAL STATEMENTS

December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors
Our Lady's Inn

Opinion

We have audited the financial statements of Our Lady's Inn (a Missouri not-for-profit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Our Lady's Inn as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Our Lady's Inn and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Our Lady's Inn's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Our Lady's Inn's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Our Lady's Inn's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Keubler, Eck & Braeckel LLP

St. Louis, Missouri
March 28, 2022

Our Lady's Inn
STATEMENTS OF FINANCIAL POSITION
December 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 846,701	\$ 920,665
Operating investments	918,143	996,082
Contributions and grants receivable	185,862	339,447
Prepaid expenses	38,593	6,104
Property and equipment, net	1,384,411	1,434,894
Endowment investments	2,853,089	2,072,459
Cash held for others	3,402	2,884
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Total assets	<u>\$ 6,230,201</u>	<u>\$ 5,772,535</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 20,008	\$ 19,089
Accrued liabilities	86,058	104,853
	<hr/>	<hr/>
Total liabilities	106,066	123,942
 Net assets		
Without donor restrictions		
Undesignated	3,124,665	3,233,839
Board designated endowment	1,555,625	929,731
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	4,680,290	4,163,570
With donor restrictions	1,443,845	1,485,023
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Total net assets	6,124,135	5,648,593
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Total liabilities and net assets	<u>\$ 6,230,201</u>	<u>\$ 5,772,535</u>

The accompanying notes are an integral part of these statements.

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

	<u>2021</u>			<u>2020</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Government grants	\$ 1,022,175	\$ -	\$ 1,022,175	\$ 760,307	\$ -	\$ 760,307
Grant - Paycheck Protection Program	-	-	-	336,600	-	336,600
Donations	1,540,516	69,704	1,610,220	1,446,333	268,135	1,714,468
Investment income, net	130,800	154,736	285,536	191,389	213,474	404,863
Thrift shop	95,147	-	95,147	69,430	-	69,430
Special events, net of direct expenses	137,749	-	137,749	94,905	-	94,905
Other	5,422	-	5,422	15,904	-	15,904
	<u>2,931,809</u>	<u>224,440</u>	<u>3,156,249</u>	<u>2,914,868</u>	<u>481,609</u>	<u>3,396,477</u>
Net assets released from restrictions						
Satisfaction of program restrictions	53,290	(53,290)	-	40,649	(40,649)	-
Expiration of time restrictions	212,328	(212,328)	-	7,678	(7,678)	-
	<u>265,618</u>	<u>(265,618)</u>	<u>-</u>	<u>48,327</u>	<u>(48,327)</u>	<u>-</u>
Total net assets released from restrictions						
Total support and revenue	3,197,427	(41,178)	3,156,249	2,963,195	433,282	3,396,477
Expenses						
Program services	2,054,931	-	2,054,931	1,938,213	-	1,938,213
Management and general	302,699	-	302,699	313,936	-	313,936
Fundraising	323,077	-	323,077	311,074	-	311,074
	<u>2,680,707</u>	<u>-</u>	<u>2,680,707</u>	<u>2,563,223</u>	<u>-</u>	<u>2,563,223</u>
Total expenses						
INCREASE (DECREASE) IN NET ASSETS	516,720	(41,178)	475,542	399,972	433,282	833,254
Net assets at beginning 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>
Net assets at end of year	<u>\$ 4,680,290</u>	<u>\$ 1,443,845</u>	<u>\$ 6,124,135</u>	<u>\$ 4,163,570</u>	<u>\$ 1,485,023</u>	<u>\$ 5,648,593</u>

The accompanying notes are an integral part of these statements.

Our Lady's Inn
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	Program services	Management and general	Fundraising	Total expenses
Salaries	\$ 1,238,557	\$ 190,799	\$ 228,626	\$ 1,657,982
Employee benefits and taxes	168,307	22,260	33,281	223,848
Total	1,406,864	213,059	261,907	1,881,830
Client expense	140,555	-	-	140,555
Food and beverage	32,081	547	67	32,695
Transportation expense	16,399	459	219	17,077
Facilities	318,517	15,845	22,718	357,080
Staff development	8,306	4,391	1,311	14,008
Office expense	11,380	3,855	5,508	20,743
Professional fees	357	50,078	-	50,435
Business insurance	49,469	2,616	2,838	54,923
Info Tech/Telecom	64,533	9,661	11,300	85,494
Development/Public relations	4,059	601	17,210	21,870
Fundraising event expense	-	-	32,906	32,906
Miscellaneous	2,411	1,587	-	3,998
Total expenses by function	2,054,931	302,699	355,984	2,713,614
Less expenses included with revenues on the statements of activities	-	-	(32,907)	(32,907)
Total expenses	\$ 2,054,931	\$ 302,699	\$ 323,077	\$ 2,680,707

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
STATEMENTS OF CASH FLOWS
Year ended December 31,

	<u>2021</u>	<u>2020</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Increase in net assets	\$ 475,542	\$ 833,254
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	80,046	92,374
Gain on sale of assets	-	(11,714)
Realized and unrealized gain on investments	(233,409)	(359,237)
Change in assets and liabilities		
Contributions and grants receivable	153,585	(240,529)
Prepaid expenses	(32,489)	(1,946)
Accounts payable	919	13,185
Accrued liabilities	(18,795)	(75,297)
Total adjustments	<u>(50,143)</u>	<u>(583,164)</u>
Net cash provided by operating activities	425,399	250,090
Cash flows from investing activities		
Purchase of property and equipment	(29,563)	(38,367)
Proceeds from the sale of assets	-	128,453
Proceeds from the sale of investments	866,939	1,096,448
Purchases of investments	<u>(1,336,221)</u>	<u>(1,417,102)</u>
Net cash used in investing activities	<u>(498,845)</u>	<u>(230,568)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,446)	19,522
Cash and cash equivalents, beginning of year	<u>923,549</u>	<u>904,027</u>
Cash and cash equivalents, end of year	<u>\$ 850,103</u>	<u>\$ 923,549</u>
Reconciliation of cash and cash equivalents		
to statements of financial position		
Cash and cash equivalents	\$ 846,701	\$ 920,665
Cash held for others	<u>3,402</u>	<u>2,884</u>
Total cash and cash equivalents	<u>\$ 850,103</u>	<u>\$ 923,549</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 substance use disorder treatment support as well as peri-natal nursing support. In 2021, despite all the challenges associated with the COVID-19 pandemic, OLI remained open with socially distanced reduced capacity, providing 8,414 days of care/nights of shelter and on-site services to 99 families. In the 2-year Aftercare Program, an additional 66 families were supported. In December, 55 families including 113 children benefited from participation in the Our Lady's Inn's Adopt a Family Christmas Program.

In 2021, at the St. Louis Inn location, 4,137 nights of shelter/days of care were provided for a total of 57 women and 33 children. Twelve babies were born in residence, with an average birth weight 6lbs 5 oz and gestational age of 38 weeks and 1 day. The average length of stay for those families moving from the Inn in 2021 was 48 days. The Inn received 197 unduplicated calls for help from pregnant women.

In 2021, at the St. Charles Inn location, 4,277 nights of shelter/days of care were provided to a total of 42 women and 35 children. Five babies were born in residence with an average birth weight of 6lbs 6 oz and gestational age of 36 weeks and 3 days. The average length of stay for those families moving from the Inn in 2021 was 60 days. The Inn received 109 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.

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

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

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.

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

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, 2021 or 2020. The Agency received cost-reimbursable grants of \$212,230 and \$277,739 that have not been recognized at December 31, 2021 and 2020, 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.

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.

Our Lady’s Inn
NOTES TO FINANCIAL STATEMENTS

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 N.

Subsequent events

In preparing the financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through March 28, 2022, the date the financial statements were available to be issued.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 846,701	\$ 920,665
Operating investments	918,143	996,082
Contributions and grants receivable	185,862	339,447
Endowment investments	2,853,089	2,072,459
Cash held for others	3,402	2,884
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Total financial assets	4,807,197	4,331,537
Contractual or donor-imposed restrictions		
Endowment funds		
Perpetual in nature	(314,503)	(314,503)
Unappropriated endowment income	(982,961)	(828,225)
Restricted by donors for specified purpose	(137,586)	(121,171)
Board designations		
Endowment funds	(1,555,625)	(929,731)
Cash held for others	(3,402)	(2,884)
	<hr/>	<hr/>
	\$ 1,813,120	\$ 2,135,023
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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 \$1,555,625 and unappropriated endowment income of \$982,961 as of December 31, 2021 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, 2021 and 2020.

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

When available, the Agency uses quoted prices to determine the fair value of investments. Investments in mutual funds and exchange traded funds 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, 2021:

	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Operating investments				
Money market funds	\$ 118,662	\$ -	\$ 118,662	\$ -
Mutual and exchange traded funds	799,481	799,481	-	-
Total operating investments	918,143	799,481	118,662	-
Endowment investments				
Money market funds	28,815	-	28,815	-
Mutual and exchange traded funds	2,824,274	2,824,274	-	-
Total endowment investments	2,853,089	2,824,274	28,815	-
Total	\$ 3,771,232	\$ 3,623,755	\$ 147,477	\$ -

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	\$ -

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, 2021 is as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment	\$ 1,555,625	\$ -	\$ 1,555,625
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	-	982,961	982,961
	\$ 1,555,625	\$ 1,297,464	\$ 2,853,089

Our Lady's Inn
NOTES TO FINANCIAL STATEMENTS

Endowment net assets 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
	<u>\$ 929,731</u>	<u>\$ 1,142,728</u>	<u>\$ 2,072,459</u>

During the years ended December 31, 2021 and 2020, Our Lady's Inn's endowment net assets had the following activity:

	Without donor restrictions	With donor restrictions	Total
Beginning balance at January 1, 2020	\$ 756,048	\$ 929,254	\$ 1,685,302
Investment return			
Interest and dividends	14,015	17,226	31,241
Net realized and unrealized losses	159,668	196,248	355,916
Ending balance at December 31, 2020	929,731	1,142,728	2,072,459
Additions	500,000	-	500,000
Investment return			
Interest and dividends	19,502	23,970	43,472
Net realized and unrealized gains	106,392	130,766	237,158
Ending balance at December 31, 2021	<u>\$ 1,555,625</u>	<u>\$ 1,297,464</u>	<u>\$ 2,853,089</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>2021</u>	<u>2020</u>
Building and improvements	\$ 1,864,720	\$ 1,864,720
Furniture and equipment	174,897	183,253
Automobiles	155,117	139,753
	<u>2,194,734</u>	<u>2,187,726</u>
Less accumulated depreciation	<u>1,281,960</u>	<u>1,222,254</u>
	912,774	965,472
Land	431,055	431,055
Construction in progress	<u>40,582</u>	<u>38,367</u>
	<u>\$ 1,384,411</u>	<u>\$ 1,434,894</u>

NOTE G | LINE OF CREDIT

On March 30, 2021, 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, 2023. 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, 2021 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>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose		
Sober living program	\$ 35,000	\$ 25,000
New van purchase	-	15,000
St. Charles lighting	15,000	-
Client support and other	87,586	81,171
	<u>137,586</u>	<u>121,171</u>
Subject to the passage of time		
Building use-time restricted	8,795	11,124
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until received	-	210,000
	<u>8,795</u>	<u>221,124</u>
Subject to appropriation by the Board of Directors		
Unappropriated endowment income	982,961	828,225
Not subject to spending policy or appropriation		
Donor-restricted endowment funds	<u>314,503</u>	<u>314,503</u>
	<u>\$ 1,443,845</u>	<u>\$ 1,485,023</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>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Sober living program	\$ 25,000	\$ 25,000
Client support and other	28,290	15,649
	<u>53,290</u>	<u>40,649</u>
Expiration of time restrictions		
Received funds	210,000	1,545
Building use-time restricted	2,328	6,133
	<u>212,328</u>	<u>7,678</u>
	<u>\$ 265,618</u>	<u>\$ 48,327</u>

Our Lady’s Inn
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 \$33,981 and \$36,566 for the years ended December 31, 2021 and 2020, 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 2026. The minimum rental commitments under these operating leases are as follows:

Year ended December 31,		
2022	\$	108,425
2023		25,097
2024		2,787
2025		1,873
2026		1,250
		<hr/>
Total minimum payments required	\$	<u>139,432</u>

Total lease expense for property and equipment for the years ended December 31, 2021 and 2020, was \$113,058 and \$115,908 respectively.

Our Lady’s Inn
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>2021</u>	<u>2020</u>
Food, clothing and supplies	\$ 137,267	\$ 128,437
Counseling, medical and educational services	1,620	244
Professional services	2,199	10,060
Other	852	2,745
	<u>\$ 141,938</u>	<u>\$ 141,486</u>

NOTE M | COMMITMENTS AND CONTINGENCIES

On December 15, 2021, the Agency entered into a real estate sale and purchase contract to purchase land for a new St. Louis facility, subject to the completion of due diligence. The maximum contracted budget for the purchase is approximately \$1.3 million. The remaining commitment for payments under the contract at December 31, 2021 is the entire purchase price less a \$25,000 earnest money deposit to be applied to the purchase price.

NOTE N | 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 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.