

**OUR SAVIOUR'S COMMUNITY
SERVICES**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

OUR SAVIOUR’S COMMUNITY SERVICES

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Tel (952) 946-7900

Fax (952) 946-7901

MEMBERS

Minnesota Society of
Certified Public Accountants

American Institute of
Certified Public Accountants

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JOHN F. MENDEN, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Our Saviour's Community Services
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of Our Saviour's Community Services, which comprise the statement of financial position as of March 31, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our Saviour's Community Services, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Our Saviour's Community Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Saviour's Community Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Saviour's Community Services' 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 Saviour's Community Services' 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.

Report on Summarized Comparative Information

We have previously audited Our Saviour's Community Services' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Casey, Menden, Faust & Nelson, P.A.

January 11, 2024

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2023 AND 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Summarized)
<u>ASSETS</u>				
Current assets:				
Cash and savings	\$ 55,059	\$ -	\$ 55,059	\$ 190,391
Grants and pledges receivable	86,400	-	86,400	167,661
Prepaid expenses	36,639	-	36,639	32,279
Total current assets	178,098	-	178,098	390,331
Property and equipment:				
Housing	929,329	212,763	1,142,092	1,142,092
Vehicles	22,175	-	22,175	22,175
Furniture and equipment	55,236	-	55,236	90,140
	1,006,740	212,763	1,219,503	1,254,407
Less accumulated depreciation	524,216	10,746	534,962	531,730
Net property and equipment	482,524	202,017	684,541	722,677
Other assets:				
Operating right-of-use asset	30,803	-	30,803	-
Less accumulated depreciation	13,062	-	13,062	-
Total other assets	17,741	-	17,741	-
Total assets	\$ 678,363	\$ 202,017	\$ 880,380	\$ 1,113,008

See accompanying notes to financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2023 AND 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Summarized)
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 151,127	\$ -	\$ 151,127	\$ 152,185
Deferred revenue	5,799	-	5,799	35,824
Accrued expenses:				
Payroll and related	85,414	-	85,414	92,562
Participation fees	-	-	-	1,200
Security deposit	6,950	-	6,950	-
Current portion of note payable - OSLC Foundation	29,440	-	29,440	-
Current portion of note payable - Mission Investment Fund	11,334	-	11,334	11,009
Current portion of notes payable - transitional housing	-	-	-	1,288
Lease liability, current portion	8,238	-	8,238	7,498
Total current liabilities	<u>298,302</u>	<u>-</u>	<u>298,302</u>	<u>301,566</u>
Long-term liabilities:				
Note payable - OSLC Foundation net of current maturities	50,560	-	50,560	80,000
Note payable - Mission Investment Fund net of current maturities	-	-	-	12,373
Notes payable - transitional housing, net of current maturities	-	-	-	2,576
Lease liability, net of current portion	10,608	-	10,608	3,510
Total long - term liabilities	<u>61,168</u>	<u>-</u>	<u>61,168</u>	<u>98,459</u>
Total liabilities	<u>359,470</u>	<u>-</u>	<u>359,470</u>	<u>400,025</u>
Net assets	<u>318,893</u>	<u>202,017</u>	<u>520,910</u>	<u>712,983</u>
Total liabilities and net assets	<u>\$ 678,363</u>	<u>\$ 202,017</u>	<u>\$ 880,380</u>	<u>\$ 1,113,008</u>

See accompanying notes to financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Summarized)
Revenues:				
Contributions	\$ 316,390	\$ -	\$ 316,390	\$ 540,498
Government grants, contracts	2,206,977	-	2,206,977	1,936,928
COVID emergency funding	-	-	-	198,878
Medical respite	450,000	-	450,000	75,000
Rent income	87,982	-	87,982	33,813
Transitional housing debt forgiveness	3,864	-	3,864	1,289
Other income	65,766	-	65,766	275,980
Interest income	69	-	69	80
In-kind contributions	216,284	-	216,284	195,857
Net assets released from restrictions	6,448	(6,448)	-	-
Total revenues	3,353,780	(6,448)	3,347,332	3,258,323
Expenses:				
Program services	3,382,118	-	3,382,118	3,074,727
Management and general	96,153	-	96,153	91,346
Fundraising	61,134	-	61,134	57,895
Total expenses	3,539,405	-	3,539,405	3,223,968
Change in net assets	(185,625)	(6,448)	(192,073)	34,355
Net assets:				
Beginning of year	504,518	208,465	712,983	678,628
End of year	\$ 318,893	\$ 202,017	\$ 520,910	\$ 712,983

See accompanying notes to financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2023 AND 2022

	2023						2022
	English Learning Center (ELC)	Our Saviour's Housing (OSH)	Total Program	General and Administrative	Fundraising	Total	Total (Summarized)
Expenses:							
Salary and wages	\$ 275,992	\$ 1,092,904	\$ 1,368,896	\$ 66,748	\$ 42,476	\$ 1,478,119	\$ 1,227,986
Stipendiary workers	-	26,100	26,100	-	-	26,100	19,964
Workers compensation insurance	5,221	16,587	21,807	548	349	22,704	21,731
Payroll taxes	22,047	84,586	106,633	4,777	3,040	114,450	101,343
Employee benefits	35,331	94,816	130,147	6,202	3,946	140,295	145,162
Other staff expenses	3,303	10,462	13,765	1,169	744	15,678	30,115
Communications	4,078	12,608	16,686	2,688	1,710	21,084	10,604
Computer repairs and related	2,092	14,013	16,105	1,358	864	18,327	17,543
Copier lease and maintenance	798	1,874	2,672	186	119	2,978	4,039
Depreciation expense	3,068	30,246	33,314	(423)	(269)	32,622	39,338
Amortization expense	1,506	4,755	6,261	1,017	647	7,925	-
Indirect operating expenses	5,182	25,044	30,226	845	483	31,554	24,149
Insurance expense	3,311	6,910	10,221	2,781	1,770	14,771	11,401
Occupancy and related	46,755	157,500	204,255	4,570	2,908	211,734	201,166
Professional fees	1,123	3,548	4,671,030	759	483	5,913	5,687
Program expenses	7,998	1,120,333	1,128,331	1,907	1,214	1,131,452	1,006,423
COVID-19 expenses	-	-	-	-	-	-	117,541
In-kind volunteer services	157,666	34,711	192,377	-	-	192,377	164,915
In-kind donated meals	-	23,907	23,907	-	-	23,907	30,942
Telecommunications	6,973	38,771	45,744	1,022	650	47,416	43,919
Total expenses	<u>\$ 582,443</u>	<u>\$ 2,799,675</u>	<u>\$ 3,382,118</u>	<u>\$ 96,153</u>	<u>\$ 61,134</u>	<u>\$ 3,539,405</u>	<u>\$ 3,223,968</u>

See accompanying notes to financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (192,073)	\$ 34,355
Depreciation	32,622	39,338
Amortization of right-of-use asset	13,062	-
Forgiveness of note payable - Transitional Housing	3,864	-
Grants and pledges receivable	81,261	(105,102)
Prepaid expense	(4,226)	74,206
Accounts payable	(1,058)	17,451
Lease liability	7,098	(1,815)
Deferred revenue	(30,025)	(96,111)
Accrued payroll and related	(7,148)	(7,168)
Accrued participation fees	(1,200)	-
Security deposit	6,950	-
Net cash from operating activities	<u>(90,873)</u>	<u>(44,846)</u>
Cash flows from investing activities:		
Proceeds from sale of fixed assets	-	-
Acquisitions of fixed assets	(2,971)	(289,994)
Net cash from investing activities	<u>(2,971)</u>	<u>(289,994)</u>
Cash flows from financing activities:		
Proceeds from note payable - OSLC Foundation	-	80,000
Principal payments notes payable - OSLC Foundation	(29,440)	-
Principal payments notes payable	(12,048)	(11,793)
Net cash flows from financing activities	<u>(41,488)</u>	<u>68,207</u>
Net change in cash and cash equivalents	(135,332)	(266,633)
Cash and cash equivalents:		
Beginning of year	<u>190,391</u>	<u>457,024</u>
End of year	<u>\$ 55,059</u>	<u>\$ 190,391</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 3,468</u>	<u>\$ 1,902</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION

Organization

Our Saviour's Community Services (OSCS) is a non-profit organization incorporated under the laws of the State of Minnesota on December 1, 2004. The primary activities of OSCS are:

English Learning Center (ELC)

ELC provides basic instruction in English and math for adult immigrants and refugees new to this community. Computer classes and citizenship classes are also made available to students enrolled in the program. This program offers free classes year-round, morning and evening four days each week. Volunteers are recruited, trained, and supported as they provide classroom instructions for students.

Our Saviour's Housing (OSH)

OSH provides emergency shelter, transitional housing and permanent supportive housing for single adults who are homeless. Supportive case management services are also made available to residents who participate in these programs. This program offers year-round housing to participants. Volunteers and volunteer groups are recruited to provide the meals that are served in the emergency shelter.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets are not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

New Accounting Pronouncements

ASU 2016-02 Leases (Topic 842)

On April 1, 2022, The Organization adopted ASU 2016-02, *Leases (Topic 842)*, which among other things, requires the recognition of right-of-use lease assets and lease liabilities on the balance sheet of lessees for operating leases, along with the disclosure of key information about leasing arrangements. A lessee is required to record lease assets and lease liabilities for all leases with a term of greater than 12 months. The adoption of this new guidance did impact the Organization's financial statements as the Organization has certain operating leases for which it is the lessee.

Revenue Recognition

(ASU) No. 2018-08 – *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarified the guidance for evaluating whether a transaction is a reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions.

ASU 2014-09 and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The majority of the Organization's revenues come from service agreements with government agencies for providing developmental achievement services to clients with disabilities. Each entity is billed for each of its participants for the number of days in which the participant was enrolled in the Organization's programs. The adoption of this new guidance did not have a material impact on the Organization's financial statements and had no impact on the prior year accompanying financial statements.

Contracts consist of purchase of service agreements and cost reimbursement arrangements with the State of Minnesota, federal agencies, county and city governments, Minneapolis Public School District #1, and other nonprofit organizations. Services and cost reimbursement arrangements billed under these contracts are subject to review and adjustment by the contracting party. These agreements can be canceled by either party, at any time, upon proper written notice.

Service revenues are recorded as revenue as earned. Cost reimbursement revenues are recorded as revenue as incurred. Amounts received in advance are recorded as Unearned Revenue.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Revenue Recognition (Continued)

Contributions are recorded as received or unconditionally pledged. Conditional contributions are recorded as Unearned Revenue. Revenue is recognized as conditions are met. The Organization has elected the Simultaneous Release Option under ASU 2018-08. Accordingly, donor-restricted contributions whose restrictions are met in the same period in which the corresponding revenue is recognized are reported as support without donor restrictions in the accompanying financial statements. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Long-Lived Assets

In accordance with ASC 360-10: Accounting for The Impairment of Long-Lived Assets and For Long-Lived Assets to Be Disposed Of, the Organization reviews its long-lived assets and intangibles related to those assets periodically to determine potential impairment by comparing the carrying value of the long-lived assets outstanding with estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Organization would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. Management determined that no impairment of long-lived assets existed in 2023 and 2022.

Concentrations, Risks and Uncertainties

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Concentrations, Risks and Uncertainties (Continued)

Grants, Pledges and Service Fee Receivables

Grants, pledges, and service fee receivables are unsecured. Management believes all grants, pledges and service fee receivables are collectible, and accordingly, has not recorded an allowance for doubtful accounts. This determination was based on a number of factors including: a review of the receivables; ability to pay; past collection history; and existing economic conditions. While the ultimate loss may differ, management believes that any loss will not have a material impact on the Organization's financial position. Due to uncertainties in the collection process, however, it is reasonable that management's estimate of the outcome may change during the next year. That amount cannot be estimated.

All grants and pledges receivable are due within one year.

17% of accounts receivable at March 31, 2023 were due from the State of Minnesota. 55% of accounts receivable at March 31, 2022 were due from the State of Minnesota. 45% of accounts receivable at March 31, 2022 were due from Fairview Health Services.

In 2023, 45% of OSCS's cash revenues were provided through grants and purchase of service agreements with the State of Minnesota. In 2023, 6% of OSCS's cash revenues were provided through a purchase of service agreement with Minneapolis Public Schools. In 2022, 72% of OSCS's cash revenues were provided through grants and purchase of service agreements with the State of Minnesota. In 2022, 11% of OSCS's cash revenues were provided through a purchase of service agreement with Minneapolis Public Schools.

Income Taxes

The activities of the Organization are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Federal and state taxing authorities generally have the right to examine returns for three years from the date of filing. Any interest or penalties incurred by the Organization would be included in operating expenses in the accompanying financial statements. No interest or penalties are reflected in the 2023 and 2022 financial statements.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Cash Equivalents

For purposes of the statement of cash flows, OSCS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At March 31, 2023 and 2022, OSCS had no cash equivalents.

Property and Equipment

OSCS's policy is to capitalize fixed asset additions greater than \$1,000. Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

A summary of property and equipment is as follows:

	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Housing	\$ 1,142,092	\$ 1,142,092	10 to 40
Vehicles	22,175	22,175	10
Furniture and equipment	<u>55,236</u>	<u>90,140</u>	3 to 7
	<u><u>\$ 1,219,503</u></u>	<u><u>\$ 1,254,407</u></u>	

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses, and changes in fund balance. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Methods of allocation included: time and effort; square footage; and deemed benefit.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Donated Goods and Services

The programs of Our Saviour's Community Services are enriched by the time and talents of many dedicated community volunteers. Two of OSCS's program areas would be substantially diminished or nonexistent without donated goods and services:

The English Learning Center programs are taught entirely by trained volunteer instructors. In fiscal year 2023, volunteer instructors contributed 4,574 hours of their time teaching in the OSCS's classrooms and virtual sessions. In fiscal year 2022, volunteer instructors contributed 4,197 hours of their time teaching in the OSCS's classrooms. Volunteer instructor services were valued at \$34.47 per hour in 2023 and \$32.33 per hour in 2022 based on research performed by Independent Sector, a nonprofit organization performing research on giving and volunteering in the United States of America.

The Emergency Shelter at Our Saviour's Housing is served by a wide variety of community volunteer groups who purchase, prepare, and serve the evening meal to shelter residents each night of the year. These groups vary widely in their size and composition; sometimes several adults are responsible for the meal and sometimes the groups consist of adults and youth. Each group prepares food for a minimum of 40 persons each night. Donated meals are valued in the accompanying financial statements at \$7.39 per meal in 2023 and \$7.28 per meal in 2022. In fiscal year 2023, volunteers contributed 1,007 hours of their time to Our Savior's Housing. In fiscal year 2022, volunteers contributed 904 hours of their time to Our Saviour's Housing. Volunteer services were valued at \$34.47 and \$32.33 per hour in 2023 and 2022 based on research performed by Independent Sector.

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization receives contributions from donors that contain restrictions. Those restrictions require that resources be used in a certain manner in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

The below reflects the Organization's financial assets as of the statement of the financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include the board designated amounts that could be utilized if the Organization approved the use:

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Continued)

	<u>2023</u>	<u>2022</u>
Financial assets at end of year	\$ 141,459	\$ 358,052
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	-	-
Board designations:		
Designated by Board	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 141,459</u>	<u>\$ 358,052</u>

NOTE 3 - NOTES PAYABLE

A summary of notes payable is as follows:

	<u>2023</u>	<u>2022</u>
Note payable to OSLC Foundation in monthly payments of \$3,438.50, commencing on April 1, 2023, including interest at 3.00% per annum, through March 31, 2025, unsecured.	\$ 80,000	\$ 80,000
Note payable to Mission Investment Fund in monthly payments of \$1,009 including interest at 5.50% per annum, through May 2024, unsecured.	11,334	23,382
Less current maturities	<u>40,774</u>	<u>11,009</u>
Long-term debt	<u>\$ 50,560</u>	<u>\$ 92,373</u>

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 3 - NOTES PAYABLE (Continued)

Future maturities on this obligation are as follows:

<u>Year ending March 31,</u>	
2024	\$ 40,774
2025	40,296
2026	10,264
2027	-
2028	-
	\$ 91,334

NOTE 4 - NOTES PAYABLE – TRANSITIONAL HOUSING

OSCS was indebted to the Minnesota Housing Finance Agency for notes on its transitional housing unit. These notes were secured by 2309 Chicago Avenue and provided for forgiveness of indebtedness on anniversary dates of the obligations provided OSCS continued to comply with the terms of the agreements. If OSCS did not comply with the terms of the agreements, all amounts are immediately due and payable to the Minnesota Housing Finance Agency. Future scheduled debt forgiveness on these obligations at March 31, 2023 was \$ -0-. Future scheduled debt forgiveness on these obligations at March 31, 2022 was \$3,864.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 5 - LEASES

The following table presents the components of the Organization's right-of-use assets and liabilities related to leases and their classification in the statement of financial position at March 31, 2023:

Component of Lease Balances	Classification in Statements of Financial Position	2023
Assets:		
Operating office lease right-of-use asset	Other assets	\$ -
Operating copier lease right-of-use asset	Other assets	30,803
Total operating right-of-use assets		30,803
Accumulated amortization right-of use assets	Other assets	(13,062)
Net operating right-of-use assets		<u>\$ 17,741</u>
Liabilities:		
Operating lease liability:		
	Other current liabilities	\$ 8,238
	Other long-term liabilities	10,636
Total operating lease liability		<u>\$ 18,874</u>
Total lease liability		<u>\$ 18,874</u>

The Organization determines if an arrangement is a lease at inception of the contract. The right of-use asset represents the Organization's right to use the underlying asset for the lease term and the lease liabilities represent the Organization's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. The Organization used their estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

The Organization has copier leases. The term of the lease varies between 3 and 5 years, commencing on August 7, 2018 and continuing through June 24, 2026. The monthly straight line copier rent is \$828. Total rent charged to operations was \$9,380 and \$ -0- for the years ended March 31, 2023 and 2022, respectively.

The following table presents the components of the Organization's lease expense and their classification in the statement of activities and changes in net assets for the year ended March 31, 2023:

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 5 – LEASES (Continued)

Component of Lease Expense	Classification in Statements of Activities and Changes in Net Assets	2023
Operating lease expense	Operating expenses	\$ 8,953
Total lease expense		<u>\$ 8,953</u>

The weighted-average lease terms and discount rates for operating leases are presented in the following table:

	2023	2022
Weighted-average remaining lease term (years):		
Operating office lease	0.00	-
Operating copier lease	1.98	-
Weighted-average discount rate:		
Operating office lease	0.00%	-
Operating copier lease	7.12%	-

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 5 – LEASES (Continued)

Future maturities of operating lease liabilities at March 31, 2023 are presented in the following table:

<u>Year</u>	<u>Amount</u>
2024	\$ 9,299
2025	7,474
2026	2,153
2027	1,404
2028	<u>234</u>
Total lease payments	20,564
Less: Imputed interest	<u>1,690</u>
Total lease obligations	18,874
Less: Current obligations	<u>8,238</u>
Long-term lease obligations	<u><u>\$ 10,636</u></u>

Future maturities of lease liabilities at March 31, 2022, prior to our adoption of ASU 2016-02, are presented in the following table:

<u>Year Ending March 31,</u>	<u>Operating Leases</u>
2023	\$ 6,272
2024	3,743
2025	<u>1,918</u>
Total	<u><u>\$ 11,933</u></u>

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 6 - CITY OF MINNEAPOLIS GRANTS

In 2012, the Organization received a grant through the City of Minneapolis to rehabilitate its transitional housing facility at 2309 Chicago Avenue. Rehabilitation expenditures under this grant totaled \$328,587 and were fully expended on the rehabilitation during the year. As a condition of this grant the Organization had a contingent liability to the City of Minneapolis through October 14, 2021. During the period of the contingent liability relating to this grant the Organization reflected the rehabilitation expenditures, net of depreciation, as assets with donor restrictions in the accompanying financial statements. The conditional liability was satisfied during fiscal year 2022 and the rehabilitation expenditures, net of depreciation, have been moved to assets without restrictions.

In 2020, the Organization received a grant through the City of Minneapolis to rehabilitate its emergency shelter housing facility at 2219 Chicago Avenue. The monies used for this grant were Emergency Solutions Grant monies passed through to the Organization from allocations from the United States Department of Housing and Urban Development. Rehabilitation expenditures under this grant totaled \$225,081 and were fully expended on the rehabilitation during the year. As a condition of this grant, the Organization has a contingent liability to the City of Minneapolis for three years through July 1, 2024. The Organization spent \$12,318 of the grant on mattresses that were expensed in the year. The Organization is depreciating the capitalized rehabilitation expenditures of \$212,763 over the remaining 33-year useful life assigned to 2219 Chicago Avenue. During the period of the contingent liability relating to this grant the Organization is reflecting the rehabilitation expenditures, net of depreciation, as assets with donor restrictions in the accompanying financial statements.

NOTE 7 - OUR SAVIOUR'S LUTHERAN CHURCH

The services of OSCS grew out of the outreach programs of Our Saviour's Lutheran Church (OSLC). Amounts paid OSLC are as follows:

OSCS leases facilities from OSLC under short-term lease agreements cancellable upon ninety days notice by either party. OSCS elected ASC 842's practical expedient for short term leases. As such the leases are not reflected on the balance sheet as a right of use asset. Rent expense under this agreement totaled \$30,687 in 2023 and \$30,384 in 2022.

OSCS utilizes other services of OSLC for program and occupancy expenses. Payments for these services totaled \$9,384 in 2023 and \$9,384 in 2022.

In January 2022, Our Saviour's Lutheran Church Foundation loaned \$80,000 to Our Saviour's Community Services. The loan bears interest at an annual rate of 3%. Until March 31, 2023, no payments of principal or interest is due, with the exception of two semi-annual interest payments in the amount of \$1,200, which were paid on September 30, 2022 and March 31, 2023.

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

NOTE 7 - OUR SAVIOUR'S LUTHERAN CHURCH (Continued)

Repayment of the loan commenced April 1, 2023 in 24 monthly installments of \$3,439. Monthly payments were made for April, May and June 2023.

In July 2023, Our Saviour's Lutheran Church Foundation modified the terms of the loan. Loan payments were deferred for three months. During the deferral period OSCS is to pay \$526.95 in interest and monthly payments resumed in October 2023. The maturity date is June 2025 rather than March 2025. OSCS made loan payments through January 11, 2024.

NOTE 8 - SUPPLEMENTAL CASH FLOW DISCLOSURES - NON-CASH ACTIVITY

In-kind contributions of donated services and meals consist of non-cash contributions. In-kind contributions totaled \$216,284 in 2023. In-kind contributions totaled \$195,857 in 2022.

MHFA forgave \$3,864 of principal on the notes payable - transitional housing during the fiscal year ended March 31, 2023. MHFA forgave \$1,289 of principal on the notes payable - transitional housing during the fiscal year ended March 31, 2022.

NOTE 9 - BENEFIT PLANS

The Organization provides a tax deferred annuity plan for its employees under Section 403(b) of the Internal Revenue Code. Employer retirement plan contributions totaled \$29,329 in 2023 and \$26,381 in 2022.

NOTE 10 – ACCOUNTS PAYABLE

Accounts payable for the fiscal year ended March 31, 2023 and 2022 includes \$87,724 and \$49,615 of credit card payables which carries annual percentage rates from 13.99% to 29.99%.

NOTE 11 - SUBSEQUENT EVENTS

On July 20, 2023, Propel Nonprofit loaned Our Saviour's Community Services \$50,000. The loan bears interest at an annual rate of 7.25%. 11 monthly interest-only payments commenced on August 16, 2023. A final installment of principal and interest is due July 16, 2024. The loan is secured by the Organization's assets.

Subsequent events have been evaluated through January 11, 2024, which is the date the financial statements were available to be issued.