



# Annual Financial Report

## St. Paul's Outreach, Inc.

Mendota Heights, Minnesota

For the years ended May 31, 2023 and 2022 (restated)



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St. Paul's Outreach, Inc.  
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May 31, 2023 and 2022 (restated)

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
St. Paul's Outreach, Inc.  
Mendota Heights, Minnesota

### Opinion

We have audited the accompanying financial statements of St. Paul's Outreach, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of St. Paul's Outreach, Inc. (the Organization) as of May 31, 2023 and 2022, 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 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 the Organization 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.

### Emphasis of Matter on Restatement of Prior Year Financials

The prior year financial statements have been restated due to the correction of a material error. See note 15 of the financial statements for details. Our opinion is not modified with respect to this matter.

### 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 the Organization's 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, including omissions, 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 the Organization'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 the Organization'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.



**Abdo**  
Minneapolis, Minnesota  
October 5, 2023



FINANCIAL STATEMENTS

St. Paul's Outreach, Inc.  
Statements of Financial Position  
May 31, 2023 and 2022 (restated)

|   | 2023          | 2022          |
|---|---------------|---------------|
| Assets  |               |               |
| Current Assets  |               |               |
| Cash and cash equivalents   | \$ 210,966    | \$ 514,515    |
| Restricted cash   | 3,723         | 9,055         |
| Accounts receivable, net of allowance for doubtful accounts<br>of \$1,121 and \$885 for 2023 and 2022, respectively                   | 38,360        | 31,485        |
| Pledges receivable  | 2,138,550     | 1,904,741     |
| Prepaid expenses  | 170,232       | 146,682       |
| Total Current Assets  | 2,561,831     | 2,606,478     |
| Investments   | 120,109       | 414,265       |
| Property and Equipment  |               |               |
| Land and buildings  | 10,259,407    | 8,688,386     |
| Office equipment  | 235,627       | 225,742       |
| Construction in progress  | -             | 43,239        |
| Total Property and Equipment, Cost  | 10,495,034    | 8,957,367     |
| Accumulated Depreciation  | (1,451,008)   | (1,143,908)   |
| Total Property and Equipment, Net   | 9,044,026     | 7,813,459     |
| Noncurrent Assets   |               |               |
| Security deposits   | 120,518       | 113,942       |
| Operating right-of-use asset  | 252,630       | -             |
| Finance right-of-use asset  | 28,372        | -             |
| Pledges receivable, long-term, net of reserve for uncollectible pledges of<br>\$534,241 and \$325,593 for 2023 and 2022, respectively | 2,020,257     | 3,301,236     |
| Total Noncurrent Assets   | 2,421,777     | 3,415,178     |
| Total Assets  | \$ 14,147,743 | \$ 14,249,380 |

See Independent Auditor's Report and Notes to the Financial Statements.

St. Paul's Outreach, Inc.  
Statements of Financial Position (Continued)  
May 31, 2023 and 2022 (restated)

|   | 2023          | 2022          |
|---|---------------|---------------|
| Liabilities and Net Assets  |               |               |
| Current Liabilities   |               |               |
| Accounts payable  | \$ 337,098    | \$ 383,621    |
| Accrued salary  | 384,171       | 372,939       |
| Household program deposits  | 279,702       | 253,327       |
| Unearned revenue  | 13,374        | 14,168        |
| Line of credit  | 1,033,901     | 1,232,584     |
| Current portion of long-term debt   | 126,906       | 137,816       |
| Operating lease liability, short-term portion   | 157,698       | -             |
| Finance lease liability, short-term portion   | 6,013         | -             |
| Total Current Liabilities   | 2,338,863     | 2,394,455     |
| Long-term Liabilities   |               |               |
| Operating lease liability   | 102,649       | -             |
| Finance lease liability   | 22,776        | -             |
| Mortgage loans payable, net of deferred financing fees of \$12,227 and \$15,931 for the years ended May 31, 2023 and 2022, respectively | 3,318,317     | 2,297,189     |
| Total Long-term Liabilities   | 3,443,742     | 2,297,189     |
| Total Liabilities   | 5,782,605     | 4,691,644     |
| Net Assets  |               |               |
| Without donor restrictions  |               |               |
| Unrestricted  | 3,551,595     | 2,969,142     |
| Board-designated operating reserve  | 7,011         | 303,872       |
| Total without donor restrictions  | 3,558,606     | 3,273,014     |
| With donor restrictions   | 4,806,532     | 6,284,722     |
| Total Net Assets  | 8,365,138     | 9,557,736     |
| Total Liabilities and Net Assets  | \$ 14,147,743 | \$ 14,249,380 |

See Independent Auditor's Report and Notes to the Financial Statements.

St. Paul's Outreach, Inc.  
Statements of Activities  
For the Year Ended May 31, 2023

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|--|---------------------------------------|------------------------------------|---------------------|
| Support and Revenue  |                                       |                                    |                     |
| Support  |                                       |                                    |                     |
| Contributions, net of present value adjustment of \$(98,405) | \$ 3,209,996                          | \$ 2,040,527                       | \$ 5,250,523        |
| Contributed services (missionaries)                          | 606,617                               | -                                  | 606,617             |
| In-kind contributions  | 150,000                               | -                                  | 150,000             |
| Mission partner development                                  | 6,173,231                             | -                                  | 6,173,231           |
| Total Support  | <u>10,139,844</u>                     | <u>2,040,527</u>                   | <u>12,180,371</u>   |
| Revenue  |                                       |                                    |                     |
| Household program  | 2,207,889                             | -                                  | 2,207,889           |
| Retreats   | 349,472                               | -                                  | 349,472             |
| Events   | 21,172                                | -                                  | 21,172              |
| Operations-other   | 816,404                               | -                                  | 816,404             |
| Investment loss  | (2,723)                               | -                                  | (2,723)             |
| Total Revenue  | <u>3,392,214</u>                      | <u>-</u>                           | <u>3,392,214</u>    |
| Net Assets Released From Restrictions                        |                                       |                                    |                     |
| Satisfaction of program restrictions                         | <u>3,518,717</u>                      | <u>(3,518,717)</u>                 | <u>-</u>            |
| Total Support and Revenue                                    | <u>17,050,775</u>                     | <u>(1,478,190)</u>                 | <u>15,572,585</u>   |
| Expenses   |                                       |                                    |                     |
| Program services   | <u>13,416,802</u>                     | <u>-</u>                           | <u>13,416,802</u>   |
| Supporting services  |                                       |                                    |                     |
| Management and general                                       | 1,552,965                             | -                                  | 1,552,965           |
| Fundraising  | 1,795,416                             | -                                  | 1,795,416           |
| Total Supporting Services                                    | <u>3,348,381</u>                      | <u>-</u>                           | <u>3,348,381</u>    |
| Total Expenses   | <u>16,765,183</u>                     | <u>-</u>                           | <u>16,765,183</u>   |
| Change in Net Assets   | 285,592                               | (1,478,190)                        | (1,192,598)         |
| Net Assets, Beginning of Year                                | <u>3,273,014</u>                      | <u>6,284,722</u>                   | <u>9,557,736</u>    |
| Net Assets, End of Year                                      | <u>\$ 3,558,606</u>                   | <u>\$ 4,806,532</u>                | <u>\$ 8,365,138</u> |

See Independent Auditor's Report and Notes to the Financial Statements.



St. Paul's Outreach, Inc.  
Statements of Activities (Continued)  
For the Year Ended May 31, 2022 (restated)

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|---|-------------------------------|----------------------------|--------------|
| Support and Revenue   |                               |                            |              |
| Support   |                               |                            |              |
| Contributions, net of present value adjustment of \$(151,202) | \$ 2,868,797                  | \$ 67,339                  | \$ 2,936,136 |
| Contributed services (missionaries)                           | 589,773                       | -                          | 589,773      |
| In-kind contributions   | 21,341                        | -                          | 21,341       |
| Mission partner development                                   | 5,084,127                     | -                          | 5,084,127    |
| Total Support   | 8,564,038                     | 67,339                     | 8,631,377    |
| Revenue   |                               |                            |              |
| Household program   | 1,874,333                     | -                          | 1,874,333    |
| Retreats  | 309,659                       | -                          | 309,659      |
| Events  | 18,482                        | -                          | 18,482       |
| Operations-other  | 746,371                       | -                          | 746,371      |
| Investment income   | (12,148)                      | -                          | (12,148)     |
| Total Revenue   | 2,936,697                     | -                          | 2,936,697    |
| Net Assets Released From Restrictions                         |                               |                            |              |
| Satisfaction of program restrictions                          | 2,024,217                     | (2,024,217)                | -            |
| Total Support and Revenue                                     | 13,524,952                    | (1,956,878)                | 11,568,074   |
| Expenses  |                               |                            |              |
| Program services  | 11,735,115                    | -                          | 11,735,115   |
| Supporting services   |                               |                            |              |
| Management and general  | 1,220,605                     | -                          | 1,220,605    |
| Fundraising   | 1,476,905                     | -                          | 1,476,905    |
| Total Supporting Services                                     | 2,697,510                     | -                          | 2,697,510    |
| Total Expenses  | 14,432,625                    | -                          | 14,432,625   |
| Change in Net Assets  | (907,673)                     | (1,956,878)                | (2,864,551)  |
| Net Assets, Beginning of Year                                 | 4,180,687                     | 8,241,600                  | 12,422,287   |
| Net Assets, End of Year                                       | \$ 3,273,014                  | \$ 6,284,722               | \$ 9,557,736 |

See Independent Auditor's Report and Notes to the Financial Statements.

St. Paul's Outreach, Inc.  
Statements of Functional Expenses  
For the Year Ended May 31, 2023

|                               | Supporting Services  |                           |                     | Total<br>Supporting<br>Services | Total                |
|-------------------------------|----------------------|---------------------------|---------------------|---------------------------------|----------------------|
|                               | Program<br>Services  | Management<br>and General | Fundraising         |                                 |                      |
| Salaries and benefits         | \$ 8,543,269         | \$ 790,075                | \$ 1,256,004        | 2,046,079                       | \$ 10,589,348        |
| Household program             | 1,973,214            | -                         | -                   | -                               | 1,973,214            |
| Contributed services          | 606,617              | -                         | -                   | -                               | 606,617              |
| Events                        | 420,763              | -                         | 22,315              | 22,315                          | 443,078              |
| Retreats                      | 868,479              | 501                       | 57,150              | 57,651                          | 926,130              |
| Office                        | 236,435              | 238,235                   | 119,455             | 357,690                         | 594,125              |
| Professional services         | 17,604               | 337,424                   | 131,833             | 469,257                         | 486,861              |
| Auto and travel               | 278,186              | 18,680                    | 64,443              | 83,123                          | 361,309              |
| Staff expense                 | 96,305               | 8,971                     | 21,920              | 30,891                          | 127,196              |
| Bank fees and miscellaneous   | 152                  | 127,314                   | 92,023              | 219,337                         | 219,489              |
| Public relations              | 7,816                | 270                       | 26,957              | 27,227                          | 35,043               |
| Bad debts                     | 14,781               | -                         | -                   | -                               | 14,781               |
| Insurance                     | 55,330               | 15,011                    | -                   | 15,011                          | 70,341               |
| Total Expenses                |                      |                           |                     |                                 |                      |
| Before Depreciation           | 13,118,951           | 1,536,481                 | 1,792,100           | 3,328,581                       | 16,447,532           |
| Depreciation and amortization | 297,851              | 16,484                    | 3,316               | 19,800                          | 317,651              |
| Total Expenses                | <u>\$ 13,416,802</u> | <u>\$ 1,552,965</u>       | <u>\$ 1,795,416</u> | <u>\$ 3,348,381</u>             | <u>\$ 16,765,183</u> |

See Independent Auditor's Report and Notes to the Financial Statements.

St. Paul's Outreach, Inc.  
Statements of Functional Expenses (Continued)  
For the Year Ended May 31, 2022 (restated)

|                                       | Supporting Services |                           |              | Total<br>Supporting<br>Services | Total         |
|---------------------------------------|---------------------|---------------------------|--------------|---------------------------------|---------------|
|                                       | Program<br>Services | Management<br>and General | Fundraising  |                                 |               |
| Salaries and benefits                 | \$ 7,146,683        | \$ 713,729                | \$ 1,060,841 | \$ 1,774,570                    | \$ 8,921,253  |
| Household program                     | 1,726,228           | -                         | -            | -                               | 1,726,228     |
| Contributed services                  | 589,773             | -                         | -            | -                               | 589,773       |
| Events                                | 448,764             | 222                       | 24,211       | 24,433                          | 473,197       |
| Retreats                              | 781,829             | 1,444                     | 25           | 1,469                           | 783,298       |
| Office                                | 329,536             | 309,792                   | 131,140      | 440,932                         | 770,468       |
| Professional services                 | 72,818              | 90,968                    | 114,462      | 205,430                         | 278,248       |
| Auto and travel                       | 255,076             | 12,584                    | 24,911       | 37,495                          | 292,571       |
| Staff expense                         | 89,068              | 5,485                     | 5,190        | 10,675                          | 99,743        |
| Bank fees and miscellaneous           | -                   | 61,363                    | 78,050       | 139,413                         | 139,413       |
| Public relations                      | 22,750              | 716                       | 38,075       | 38,791                          | 61,541        |
| Bad debts                             | -                   | 2,194                     | -            | 2,194                           | 2,194         |
| Insurance                             | 46,330              | 16,547                    | -            | 16,547                          | 62,877        |
| Total Expenses<br>Before Depreciation | 11,508,855          | 1,215,044                 | 1,476,905    | 2,691,949                       | 14,200,804    |
| Depreciation and amortization         | 226,260             | 5,561                     | -            | 5,561                           | 231,821       |
| Total Expenses                        | \$ 11,735,115       | \$ 1,220,605              | \$ 1,476,905 | \$ 2,697,510                    | \$ 14,432,625 |

See Independent Auditor's Report and Notes to the Financial Statements.

St. Paul's Outreach, Inc.  
Statements of Cash Flows  
For the Years Ended May 31, 2023 and 2022 (restated)

|  | 2023           | 2022           |
|--|----------------|----------------|
| Cash Flows from Operating Activities   |                |                |
| Change in net assets   | \$ (1,192,598) | \$ (2,864,551) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                |                |
| Depreciation expense   | 307,100        | 228,117        |
| Amortization of deferred financing fees  | 3,704          | 3,704          |
| Amortization of finance lease ROU assets   | 6,847          | -              |
| Bad debt expense   | 14,781         | 2,194          |
| Change in reserve for uncollectible pledges  | 130,206        | (19)           |
| Operating lease expense in excess of cash paid during the year                                     | 7,717          | -              |
| Realized and unrealized (gain) loss on investments   | 6,229          | 16,093         |
| (Increase) decrease in operating assets:   |                |                |
| Accounts receivable  | (21,656)       | 20,272         |
| Pledges receivable   | 916,964        | 1,962,463      |
| Prepaid expenses   | (23,550)       | 141,503        |
| Security deposits  | (6,576)        | (5,734)        |
| Increase (decrease) in liabilities:  |                |                |
| Accounts payable   | (46,523)       | 87,635         |
| Accrued payroll  | 11,232         | 139,353        |
| Household program deposits   | 26,375         | 24,147         |
| Unearned revenue   | (794)          | (6,532)        |
| Net Cash Provided (Used) by Operating Activities   | 139,458        | (251,355)      |
| Cash Flows from Investing Activities   |                |                |
| Purchase of property and equipment   | (1,047,800)    | (313,959)      |
| Reinvestment of interest and dividends   | (3,763)        | -              |
| Sale of investments  | 291,690        | -              |
| Net Cash Provided (Used) by Investing Activities   | (759,873)      | (313,959)      |
| Cash Flows from Financing Activities   |                |                |
| Proceeds from lines of credit  | 1,171,650      | -              |
| Payments on lines of credit  | (1,860,200)    | -              |
| Long-term debt borrowings  | 1,140,000      | -              |
| Principal payments on long-term debt   | (133,486)      | (96,586)       |
| Lease payments on finance leases   | (6,430)        | -              |
| Net Cash Provided (Used) by Financing Activities   | 311,534        | (96,586)       |
| Net Decrease in Cash and Cash Equivalents  | (308,881)      | (661,900)      |
| Cash and Cash Equivalents at Beginning of Year   | 523,570        | 1,185,470      |
| Cash and Cash Equivalents at End of Year   | \$ 214,689     | \$ 523,570     |
| Reconciliation of Cash, Cash Equivalents and Restricted Cash                                       |                |                |
| Amounts reported in the Statement of Financial Position that sum to the total above:               |                |                |
| Cash and cash equivalents  | \$ 210,966     | \$ 514,515     |
| Restricted cash  | 3,723          | 9,055          |
| Total Cash, Cash Equivalents and Restricted Cash   | \$ 214,689     | \$ 523,570     |
| Cash Paid During the Year For:   |                |                |
| Interest   | \$ 147,105     | \$ 95,525      |
| Supplemental Schedule of Noncash Transactions:   |                |                |
| Investing and Financing Activities   |                |                |
| Fixed assets purchased with debt borrowings  | \$ 489,867     | \$ 1,713,834   |
| Right-of-use finance lease assets obtained in exchange for finance lease liabilities               | \$ 35,219      | \$ -           |
| Right-of-use operating lease assets obtained in exchange for operating lease liabilities           | \$ 346,835     | \$ -           |

See Independent Auditor's Report and Notes to the Financial Statements.

St. Paul's Outreach, Inc.  
Notes to the Financial Statements  
May 31, 2023 and 2022 (restated)

## **Note 1: Summary of Significant Accounting Policies**

### **A. Nature of Activities**

St. Paul's Outreach, Inc. (the Organization) is organized for religious reasons for the purpose of evangelizing college students and helping them to live as disciples of Jesus Christ in the fullness of the Catholic Church. The core values of the Organization are rooted in and faithful to the teaching of the Catholic Church. The Organization conducts its services both at its location in Mendota Heights, MN and on college campuses. Its administrative and fundraising operations are based in Mendota Heights. The programs and services of the Organization are supported through a variety of donation drives and charitable events throughout the year. The Organization is currently operating in Arizona, Florida, Kansas, Massachusetts, Minnesota, Missouri, New Jersey, Ohio, Texas, and Washington.

### **B. 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, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets Without Donor Restrictions - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. Net assets without donor restrictions are available for use at the discretion of the board and/or management for general operations.

Net Assets With Donor Restrictions - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

### **C. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

### **D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

### **E. Accounts Receivable**

The Organization grants credit on an unsecured basis and utilizes the reserve method to account for bad debts. Accounts receivable are presented net of allowances for bad debts of \$1,121 and \$885 for the years ended May 31, 2023 and 2022, respectively. Bad debt expense was \$14,781 and \$2,194 for the years ending May 31, 2023 and 2022, respectively. Accounts receivable are charged off at the discretion of management after all efforts to collect have been exhausted. The Organization does not record interest on past due receivables.

### **F. Investments**

The investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor.

St. Paul's Outreach, Inc.  
Notes to the Financial Statements  
May 31, 2023 and 2022 (restated)

**Note 1: Summary of Significant Accounting Policies (Continued)**

**G. Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is fulfilled or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledges receivable are presented net of allowance for uncollectible pledges and discounted to their net present value. The allowance for uncollectible pledges was \$534,240 and \$325,593 on May 31, 2023 and 2022, respectively. The discount to present value was \$885,386 and \$786,981 on May 31, 2023 and 2022, respectively.

**H. Property, Equipment and Improvements**

Property, equipment and improvements are presented at cost (items over \$2,000) or donated (appraised) value less accumulated depreciation. Depreciation is computed on the straight-line basis over the following estimated useful lives: 30 - 39 years for Buildings, and 3 - 7 years for Office Equipment.

Maintenance and repairs of property and equipment are charged to operations, and major renewals are capitalized.

The total value of land included in capitalized assets was \$1,591,336 and \$1,339,948 at May 31, 2023 and 2022, respectively.

Depreciation expense was \$307,100 and \$228,117 for the years ended May 31, 2023 and 2022, respectively.

Donations of property and equipment are recorded as contributions at their estimated fair value on the date of donation. Donations are reported as net asset without donor restrictions unless the donor has restricted the asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**I. Leases**

The Organization determines if an arrangement is a lease at inception. If an arrangement contains a lease, the Organization performs a lease classification test to determine if the lease is an operating lease or a finance lease. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease liabilities are recognized on the commencement date of the lease based on the present value of the future lease payments over the lease term and are included in long-term liabilities and current liabilities on the statement of financial position. ROU assets are valued at the initial measurement of the lease liability, plus any indirect costs or prepayments, and reduced by any lease incentives and any deferred lease payments. ROU assets are recorded on the face of the statement of financial position and are amortized over the lease term. To determine the present value of lease payments on lease commencement, the Organization uses the implicit rate when readily determinable. If not readily determinable, the Organization uses the incremental borrowing calculated through similar debt. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Operating lease expense is recognized on a straight-line basis over the life of the lease and is included within operating expenses on the statement of activities. Finance lease expense is recognized as interest on the liability and amortization on the asset and is included within operating expenses on the statement of activities.

## Note 1: Summary of Significant Accounting Policies (Continued)

The Organization has made the following elections related to leases:

- The Organization has elected the practical expedient to account for the lease and non-lease components as a single lease component for classes of underlying assets.
- The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Short-term leases will not be capitalized.

### I. Revenue Recognition

#### Revenue Recognition Policy

The Organization follows the provisions of Accounting Standards Codification 606, *Contracts with Customers* on revenues derived from its retreats income, household program income, community space rental income, and institutional funding.

In the case of retreats income and community space rental income, revenue is recognized at the time the event(s) is held, which is at a point in time.

In the case of household program income, revenue is recognized over the rental period, which is at a point in time. Household program income is billed monthly.

In the case of institutional funding, revenue is recognized at the time of service, which is at a point in time.

#### Performance Obligations

The performance obligation related to the retreat's income and community space rental income is satisfied upon completion of the event; therefore, the Organization recognizes revenue at a point in time.

The performance obligation related to the household program income is satisfied over the contract period, generally one year; therefore, the Organization recognizes revenue over at a point in time on a monthly basis.

The performance obligation related to the institutional funding is satisfied upon completion of the service; therefore, the Organization recognizes revenue at a point in time.

### J. Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recorded as made. Unconditional promises to give due in subsequent years are recorded at their net realizable value. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

### K. Contributed Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of these services has been recorded in the financial statements at their fair values in the period received.

For the years ended May 31, 2023 and 2022, the value of contributed services meeting the requirements for recognition in the financial statements was \$606,617 and \$589,773, respectively. At the Organization, this represents the contribution of our mission staff in their work delivering our evangelistic programs of Reach, Call, Form and Send including our Household Program, Fan into Flame Retreats, and our multi-year Formation Program.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **L. In-kind Contributions**

In-kind contributions other than services are recognized when received from donors. Donations are received at the discretion of the Organization. Valuation techniques are applied based on the type of asset.

### **M. Functional Expense Allocation**

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation measures determined by management.

### **N. Credit Risk**

The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

### **O. Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Because the Organization is a public charity, contributions to it may be deductible for tax purposes. The Organization has no obligation to file an annual information return due to its status as a religious organization.

### **P. Subsequent Events**

Subsequent events were evaluated through October 5, 2023, which is the date the financial statements were available to be issued. We noted no subsequent events that should be disclosed.

### **Q. New Accounting Policies**

In March 2016, the FASB issued ASU No. 2016-02, Leases, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for non-public entities with annual reporting periods beginning after December 15, 2021, and shall be applied using either a modified retrospective approach. The Organization has adopted this standard as of June 1, 2022. Details are present in additional notes in these financial statements.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Organization has adopted this standard and is effective as of June 1, 2022. Details are present in additional notes in these financial statements.



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**Note 1: Summary of Significant Accounting Policies (Continued)**

**S. Reclassifications**

Certain reclassifications have been made on the prior year financial statements to match current year reporting. These reclassifications have not affected net assets.

**Note 2: Pledges Receivable**

The balance of pledges receivable is as follows:

|   | 2023         | 2022         |
|---|--------------|--------------|
| Due in Less than One Year                                 | \$ 2,138,550 | \$ 1,904,741 |
| Due in One to Five Years                                  | 2,293,097    | 3,017,024    |
| Thereafter  | 1,146,787    | 1,396,786    |
| Total Pledges Receivable                                  | 5,578,434    | 6,318,551    |
| Less discount to present value at 9% and 4%, respectively | (885,386)    | (786,981)    |
| Less reserve for uncollectible pledges                    | (534,241)    | (325,593)    |
| Net Pledges Receivable                                    | \$ 4,158,807 | \$ 5,205,977 |

**Note 3: Investments**

Investment balances at May 31, 2023 and 2022 are \$120,109 and \$414,265, respectively. Investment loss totaled (\$2,723), including realized and unrealized gains of (\$6,229) for the year ended May 31, 2023. Investment loss totaled (\$12,148), including gains realized and unrealized of (\$16,093) for the year ended May 31, 2022.

**Note 4: Fair Value Measurements**

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization 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 inactive markets
- 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

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**Note 4: Fair Value Measurements (Continued)**

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

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2023.

*CCF Pooled Fund:* Fair value is estimated using the net asset value (NAV) per unit by the issuer of the pooled separate accounts. The fair value of the fund is based on quoted net assets values of the underlying investments.

|                                | Total<br>Fair Value | Level 1     | Level 2     | Level 3     |
|--------------------------------|---------------------|-------------|-------------|-------------|
| May 31, 2023                   |                     |             |             |             |
| Investments at fair value      | \$ -                | \$ -        | \$ -        | \$ -        |
| Total Investments in Hierarchy |                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Pooled separate accounts (a)   | <u>120,109</u>      |             |             |             |
| Total Investments              | <u>\$ 120,109</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| May 31, 2022                   |                     |             |             |             |
| Investments at fair value      | \$ -                | \$ -        | \$ -        | \$ -        |
| Total Investments in Hierarchy |                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Pooled separate accounts (a)   | <u>414,265</u>      |             |             |             |
| Total Investments              | <u>\$ 414,265</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The following tables set forth additional disclosures of the Plan's investments whose fair values are estimated using NAV as of May 31, 2023 and 2022:

|                 | Fair Value        | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice Period |
|-----------------|-------------------|-------------------------|-------------------------|-----------------------------|
| May 31, 2023    |                   |                         |                         |                             |
| CCF Pooled Fund | <u>\$ 120,109</u> | \$ -                    | Daily                   | NA                          |
| May 31, 2022    |                   |                         |                         |                             |
| CCF Pooled Fund | <u>\$ 414,265</u> | \$ -                    | Daily                   | NA                          |

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**Note 5: Property and Equipment**

Property and equipment for the Organization is represented by a variety of properties and equipment. The following is a table that displays property values as of May 31, 2023 and 2022:

|   | 2023         | 2022         |
|---|--------------|--------------|
| Missionary and Student Houses                 |              |              |
| Lexington Ave S, Mendota Heights, MN          | \$ 1,983,836 | \$ 1,959,044 |
| E 14th St, Tempe, AZ                          | 1,327,384    | 1,224,570    |
| Ashland Ave, St Paul, MN                      | 1,143,213    | 1,143,213    |
| E 12th Ave, Columbus, OH                      | 1,105,271    | 1,105,271    |
| E 13th Ave, Columbus, OH                      | 886,406      | 886,406      |
| E 15th St, Tempe, AZ                          | 831,039      | 831,039      |
| Marshall Ave, St Paul, MN                     | 803,292      | -            |
| Self Place, South Orange, NJ                  | 753,306      | 613,779      |
| E Oakland Ave, Columbus, OH                   | 497,633      | -            |
| Grand Ave, St Paul, MN                        | 358,972      | 358,972      |
| L St, Atchison, KS                            | 322,549      | 322,549      |
| N 5th St, Atchison, KS                        | 246,506      | 243,543      |
| Properties purchased, renovations in progress | -            | 43,239       |
| Total Houses                                  | 10,259,407   | 8,731,625    |
| Other   |              |              |
| Office equipment                              | 235,627      | 225,742      |
| Total Property and Equipment, Cost            | 10,495,034   | 8,957,367    |
| Less Accumulated Depreciation                 | (1,451,008)  | (1,143,908)  |
| Total Property and Equipment, Net             | \$ 9,044,026 | \$ 7,813,459 |

The Organization owns a specific house in the State of Arizona tied to operations in that state. Per certain donor restrictions, if the Organization discontinues operations in Arizona (the contingency) by 2030, 100% of the fair market value of the house is required to be refunded to a charitable fund under the direction of the donor. For every year after 2030, the fair value required to be returned if the contingency is exercised decreases by 10 percentage points. In 2040, the contingency is made void.

**Note 6: Deferred Compensation**

The Organization has a deferred compensation agreement with a current member of management. Total contributions were \$0 and \$124,800 as of May 31, 2023 and 2022, respectively. The account also accrues interest. The total liability of this deferred compensation agreement is \$303,011 and \$288,263 at May 31, 2023 and 2022, respectively.

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**Note 7: Long-term Debt**

Long-term debt consists of the following as of May 31, 2023 and 2022:

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Mortgage payable to Premier Bank Minnesota bearing initial interest at 3.95% with monthly installments of \$7,396, matures May, 2031. Secured by a building.  | \$ 1,366,715        | \$ 1,400,000        |
| Mortgage payable to Premier Bank Minnesota bearing interest at 5.95% with monthly installments of \$5,497, maturing with a balloon payment in August, 2027. Secured by a building and assignment of leases and rents.   | 749,745             | -                   |
| Mortgage payable to Premier Bank Minnesota bearing interest at 6.00% with monthly installments of \$2,706, maturing with a balloon payment in August, 2027. Secured by a building.  | 367,565             | -                   |
| Mortgage payable to Premier Bank Minnesota bearing interest at 4.00% with monthly installments of \$3,110, matures September, 2024. Secured by a building.  | 339,230             | 362,279             |
| Mortgage payable to Premier Bank Minnesota bearing interest at 4.00% with monthly installments of \$2,576, maturing with a balloon payment in June, 2026. Secured by a building. Higher principal payments were made from July, 2021 to October, 2022, in the amount of \$6,398, per month. Regular payments resumed in November of 2022. | 249,137             | 288,408             |
| Mortgage payable to Premier Bank Minnesota bearing interest at 4.00% with monthly installments of \$1,364, matures May, 2025. Secured by a building.  | 200,797             | 208,847             |
| Mortgage payable to Premier Bank Minnesota bearing interest at 3.75% with monthly installments of \$1,191, matures February, 2031. Secured by a building.   | 184,261             | 191,402             |
| Total   | <u>3,457,450</u>    | <u>2,450,936</u>    |
| Less Amounts Due Within One Year  | (126,906)           | (137,816)           |
| Less Deferred Financing Fees, Net of Amortization of \$11,951 and \$8,247, respectively   | (12,227)            | (15,931)            |
| Long-term Portion   | <u>\$ 3,318,317</u> | <u>\$ 2,297,189</u> |

St. Paul's Outreach, Inc.  
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**Note 7: Long-term Debt (Continued)**

Approximate scheduled future principal payments due under the agreements are as follows:

| For the Year<br>Ended May 31, | Amount              | Deferred<br>Financing Costs | Total               |
|-------------------------------|---------------------|-----------------------------|---------------------|
| 2024                          | \$ 126,906          | \$ (3,704)                  | \$ 123,202          |
| 2025                          | 607,187             | (3,704)                     | 603,483             |
| 2026                          | 104,259             | (1,132)                     | 103,127             |
| 2027                          | 268,253             | (750)                       | 267,503             |
| 2028                          | 1,027,534           | (750)                       | 1,026,784           |
| Thereafter                    | 1,323,311           | (2,187)                     | 1,321,124           |
| Total                         | <u>\$ 3,457,450</u> | <u>\$ (12,227)</u>          | <u>\$ 3,445,223</u> |

**Note 8: Lines of Credit**

At May 31, 2023 and 2022, the Organization had five and four lines of credit, respectively available from Premier Bank Minnesota totaling \$2,525,000 and \$2,215,000, respectively. These mature on various dates from October of 2023 through August of 2024. These credit lines were renewed from the prior year. These credit lines bear interest from 8.25% to 8.95% at May 31, 2023. The credit lines bore interest of 4% at May 31, 2022. At May 31, 2023 and 2022 there were outstanding balances on the credit lines totaling \$1,033,901 and \$1,232,584, respectively.

**Note 9: Net Assets With Donor Restrictions**

St. Paul's Outreach, Inc. had the following net assets with donor restrictions at May 31, 2023 and 2022:

|  | 2023                | 2022                |
|--|---------------------|---------------------|
| Faith Alive and general operations - time restricted | \$ 3,107,095        | \$ 3,448,123        |
| Faith Alive - building restricted                    | 1,695,714           | 2,822,544           |
| U of M student club activities and supplies          | 3,723               | 9,055               |
| General operations - outreach                        | -                   | 5,000               |
| Total  | <u>\$ 4,806,532</u> | <u>\$ 6,284,722</u> |

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**Note 10: Contributed Nonfinancial Assets**

The following is information regarding the categories of in-kind contributions, which includes contributed services and in-kind contributions, for the years ended May 31:

|                             | <u>2023</u>       | <u>2022</u>       | <u>Usage in<br/>Programs/Activities</u> | <u>Donor<br/>Restriction</u> | <u>Fair Value<br/>Techniques</u>  |
|-----------------------------|-------------------|-------------------|---|------------------------------|---|
| Mission Staff               | \$ 606,617        | \$ 589,773        | All programs                            | None                         | Estimated based on national salary for work by similar demographics<br>Appraised value of donated home minus consideration paid for property<br>Estimated fair market value based on cost to donor. |
| Donated Home                | 150,000           | -                 | Housing Programs                        | None                         |   |
| Building Materials          | -                 | 21,341            | All programs                            | None                         |   |
| Total In-kind Contributions | <u>\$ 756,617</u> | <u>\$ 611,114</u> |   |                              |   |

**Note 11: Leases**

**Leases Under ASC 840 for the Year-end May 31, 2022**

At May 31, 2022, the Organization was obligated under various operating leases for student housing, office equipment and office space. A majority of these leases are one-year terms. Rent expense under these leases for the year ended May 31, 2022 was \$1,111,310. The following is a schedule of future minimum lease payments under operating leases beginning to expire in July 2022:

| <u>For the Year<br/>Ended May 31,</u> | <u>Amount</u>       |
|---------------------------------------|---------------------|
| 2023                                  | \$ 1,258,089        |
| 2024                                  | 209,398             |
| 2025                                  | 5,031               |
| 2026                                  | 4,448               |
| 2027                                  | 4,077               |
| Total                                 | <u>\$ 1,481,043</u> |

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**Note 11: Leases (Continued)**

**Leases Under ASC 842 for the Year-end May 31, 2023**

The Organization routinely enters into various housing leases across the nation in order to properly carry out program activities. These housing leases are generally used to house program participants and staff. Terms for these housing leases are generally 1 year and can be as long as 3 years. While renewals do take place, these are generally based on signing new leases instead of exercising built-in lease renewal options. Options to terminate early and renew are sometimes included in contracts and the future payment schedules take these options into account based on whether the Organization is reasonably likely to exercise the options. Monthly base payments range from \$300 to about \$6,500. Expirations range from just after the end of the current year until August of 2025. Certain payments are variable, including utility expense, real estate taxes, and insurance, when applicable per the lease. Certain expenses included in the contracts are non-lease components and are excluded from the leases. The Organization has determined that these leases are operating leases.

The Organization has entered into various equipment leases for equipment such as copiers, printers, and other similar equipment. These leases are generally meant for office use. The lease terms for these equipment leases are generally 5 years. Payments are either monthly or quarterly, ranging from \$72 to \$452 per month. There are no specific early termination or renewal options that are reasonably expected to be exercised. Expirations range from the year ended May 31, 2025 to the year ended May 31, 2028. Certain expenses included in the contracts are non-lease components and are excluded from the leases. The Organization has determined that these leases are finance leases.

As disclosed in Note 1, the Organization adopted FASB ASC 842, effective June 1, 2022, using a modified retrospective approach. As a result, the Organization was required to recognize a ROU asset and corresponding lease liability on the face of the statement of financial position for the year ended May 31, 2023. As the standard was implemented using a modified retrospective approach, the balance sheet as of May 31, 2022, was not impacted.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Additional information about the Organization's lease for the year ended May 31, 2023, is as follows:

Lease Expense Included in Operating Expenses

|                               |                     |
|-------------------------------|---------------------|
| Finance lease expense         |                     |
| Amortization of ROU assets    | \$ 6,847            |
| Interest on lease liabilities | 529                 |
| Operating lease expense       | 112,343             |
| Short-term lease expense      | <u>1,113,561</u>    |
| Total Lease Expense           | <u>\$ 1,233,280</u> |

Other Information

|  |         |
|--|---------|
| (Gains) losses on sale-leaseback transactions, net                     |         |
| Cash paid for amounts included in the measurement of lease liabilities |         |
| Operating cash flows from finance leases (i.e. Interest)               | \$ 529  |
| Financing cash flows from finance leases (i.e. principal portion)      | 6,430   |
| Operating cash flows from operating leases                             | 104,626 |
| ROU assets obtained in exchange for new finance lease liabilities      | 35,219  |
| ROU assets obtained in exchange for new operating lease liabilities    | 346,835 |
| Weighted-average remaining lease term in years for finance leases      | 4.53    |
| Weighted-average remaining lease term in years for operating leases    | 1.75    |
| Weighted-average discount rate for finance leases                      | 7.83%   |
| Weighted-average discount rate for operating leases                    | 6.15%   |

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**Note 11: Leases (Continued)**

Maturities of operating lease liabilities are as follows:

| <u>Year ended May 31,</u>     | <u>Finance</u>   | <u>Operating</u>  |
|-------------------------------|------------------|-------------------|
| 2023                          | \$ 7,781         | \$ 168,100        |
| 2024                          | 7,490            | 95,000            |
| 2025                          | 6,907            | 10,400            |
| 2026                          | 6,536            | -                 |
| 2027                          | 4,972            | -                 |
| Total undiscounted cash flows | <u>33,686</u>    | <u>273,500</u>    |
| Less: present value discount  | <u>(4,897)</u>   | <u>(13,153)</u>   |
| Total lease liabilities       | <u>\$ 28,789</u> | <u>\$ 260,347</u> |

**Note 12: Household Program Income**

The Organization operates a Household Program for college students in various states. For the years ended May 31, 2023 and 2022, Household Program income was \$2,193,218 and \$1,872,139, net of bad debts, respectively. All terms for household program agreements are less than one year, usually about 9-12 months. All program agreements expire by August 2023; therefore, there are no Household Program payments due after May 31, 2025.

The following is a schedule of future minimum Household Program income:

| <u>For the Year<br/>Ended May 31,</u> | <u>Amount</u>       |
|---------------------------------------|---------------------|
| 2024                                  | \$ 2,270,169        |
| 2025                                  | <u>191,696</u>      |
| Total                                 | <u>\$ 2,461,865</u> |

**Note 13: Retirement Plan**

Effective January 1, 2017, the Organization adopted a Safe Harbor Retirement Savings Plan under section 401(k) of the Internal Revenue Code. The Plan provides a "safe harbor" employer matching contribution equal to 100% of salary deferrals up to 4% of an eligible employee's compensation. For the years ending May 31, 2023 and 2022, the Organization's contributions to the plan were \$244,293 and \$197,223, respectively.



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**Note 14: Liquidity and Availability of Financial Assets**

Financial assets consist of the Organization's cash and cash equivalents, restricted cash, investments, net accounts receivable, and net pledge receivables. The following represents the Organization's financial assets as of May 31, 2023, reduced by amounts not available for general use within one year of May 31, 2023 and 2022 because of contractual, donor or board restrictions.

|  | 2023         | 2022         |
|--|--------------|--------------|
| Cash and Cash Equivalents  | \$ 210,966   | \$ 514,515   |
| Restricted Cash  | 3,723        | 9,055        |
| Investments  | 120,109      | 414,265      |
| Accounts Receivable  | 38,360       | 31,485       |
| Pledges Receivable (Net)   | 4,158,807    | 5,205,977    |
| Total Financial Assets   | 4,531,965    | 6,175,297    |
| Less financial assets unavailable for general expenditure within one year, due to: |              |              |
| Board-designated reserve   | (7,011)      | (303,872)    |
| Restricted cash - U of M   | (3,723)      | (9,055)      |
| Faith Alive - buildings and time restricted  | (2,566,095)  | (3,362,734)  |
| Pledges - general operations time restricted                                       | (98,164)     | (177,916)    |
| Financial Assets Available to Meet General Expenditures Within One Year            | \$ 1,856,972 | \$ 2,321,720 |

Management routinely monitors liquidity and cash for funding operations and program service delivery in accordance with board established policies. Additionally, liquidity measures are tracked, provided and discussed with board of directors as part of regular reporting cycles. Average monthly expenditures over the past twelve months ended May 31, 2023, excluding depreciation and donated services were \$1,320,000 for the Organization. Management also has \$1.5 million in lines of credit available to cover shortfalls, if necessary.

**Note 15: Prior Period Adjustment**

The Organization has determined that a certain pledge will no longer be collectable. This determination was after previous financial statements were issued. The timing of the write-off related to the year ended May 31, 2022. As such, the Organization has made a prior period adjustment of \$1,950,000 reduced by the related allowance for bad debt and net present value change of \$174,340. The May 31, 2022 financials have been restated to show this adjustment. See below for a comparison between the initially issued and restated financial statements.

|   | 2022                   |              |
|---|------------------------|--------------|
| <b>Pledges Receivable:</b>                                | As Previously Reported | As Restated  |
| Due in Less than One Year (Short-Term)                    | \$ 2,854,741           | \$ 1,904,741 |
| Due in One to Five Years (Long-Term)                      | 4,267,024              | 3,017,024    |
| Thereafter (Long-Term)                                    | 1,146,786              | 1,396,786    |
| Total Pledges Receivable                                  | 8,268,551              | 6,318,551    |
| Less discount to present value at 9% and 4%, respectively | (863,821)              | (786,981)    |
| Less reserve for uncollectible pledges                    | (423,093)              | (325,593)    |
| Net Pledges Receivable                                    | \$ 6,981,637           | \$ 5,205,977 |

St. Paul's Outreach, Inc.  
Notes to the Financial Statements  
May 31, 2023 and 2022 (restated)

**Note 15: Prior Period Adjustment (Continued)**

|  | 2022                      |                       |
|--|---------------------------|-----------------------|
| <b>Contributions and Change in Net Assets:</b>                                     | As Previously<br>Reported | As Restated           |
| Contributions, Gross   | \$ 4,949,759              | \$ 4,949,759          |
| Net Present Value Adjustment   | (228,042)                 | (151,202)             |
| Bad Debt Pledge Expense  | (9,921)                   | (1,862,421)           |
|  | <b>\$ 4,711,796</b>       | <b>\$ 2,936,136</b>   |
| Total Change in Net Assets   | <b>\$ (1,088,891)</b>     | <b>\$ (2,864,551)</b> |
| <br><b>Liquidity:</b>  |                           |                       |
| Cash and Cash Equivalents  | \$ 514,515                | \$ 514,515            |
| Restricted Cash  | 9,055                     | 9,055                 |
| Investments  | 414,265                   | 414,265               |
| Accounts Receivable  | 31,485                    | 31,485                |
| Pledges Receivable (Net)   | 6,981,637                 | 5,205,977             |
| Total Financial Assets   | 7,950,957                 | 6,175,297             |
| Less financial assets unavailable for general expenditure within one year, due to: |                           |                       |
| Board-designated reserve   | (303,872)                 | (303,872)             |
| Restricted cash - U of M   | (9,055)                   | (9,055)               |
| Faith Alive - buildings and time restricted  | (5,235,894)               | (3,362,734)           |
| Pledges - general operations time restricted                                       | (177,916)                 | (177,916)             |
| Financial Assets Available to Meet General Expenditures Within One Year            | <b>\$ 2,224,220</b>       | <b>\$ 2,321,720</b>   |
| <br><b>Net Assets:</b>   |                           |                       |
| Faith Alive and general operations - time restricted                               | \$ 5,321,283              | \$ 3,448,123          |
| Faith Alive - building restricted  | 2,822,544                 | 2,822,544             |
| U of M student club activities and supplies  | 9,055                     | 9,055                 |
| General operations - outreach  | 5,000                     | 5,000                 |
| Total Donor Restricted Net Assets  | <b>\$ 8,157,882</b>       | <b>\$ 6,284,722</b>   |
| Total Board Restricted Net Assets  | <b>\$ 303,872</b>         | <b>\$ 303,872</b>     |
| Total Unrestricted Net Assets  | <b>\$ 2,871,642</b>       | <b>\$ 2,969,142</b>   |