FRANCISCAN OUTREACH

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT WITH REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE

YEARS ENDED DECEMBER 31, 2020 AND 2019

CONTENTS

MUELLER & CO., LLP
200 W. Adams Street, Suite 2015 ■ Chicago, Illinois ■ 60606
Ph: 312.346.2191 ■ Fax: 847.888.0635 ■ www.muellercpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Franciscan Outreach

Report on the Financial Statements

We have audited the accompanying financial statements of Franciscan Outreach, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended December 31, 2020, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franciscan Outreach as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, for the year ended December 31, 2020, Franciscan Outreach adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Other information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated T/B/D on our consideration of Franciscan Outreach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Franciscan Outreach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franciscan Outreach's internal control over financial reporting and compliance.

Mueller & Co., LLP

Chicago, Illinois
May 26, 2021

FRANCISCAN OUTREACH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

		2020	2019
Current assets:			
Cash and cash equivalents	$	565,223	425,268
Grants receivable		774,984	534,563
Contributions receivable		146,924	56,387
Investments		1,409,619	1,088,737
Prepaid insurance and other prepaid expenses		15,471	14,721
		2,912,221	2,119,676
Other assets -			
Property and equipment, net		739,414	290,073
	$	3,651,635	2,409,749

LIABILITIES AND NET ASSETS

		2020	2019
Liabilities:			
Accounts payable	$	40,521	37,557
Accrued expenses and other liabilities		88,318	117,949
Paycheck Protection Program loan		416,270	-
		545,109	155,506
Net assets:			
Without donor restrictions		3,084,526	2,254,243
With donor restrictions		22,000	-
		3,106,526	2,254,243
	$	3,651,635	2,409,749

The accompanying notes are an integral part of the financial statements.

FRANCISCAN OUTREACH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:				
Contributions	$	999,752	18,392	1,018,144
Bequests		50,000	-	50,000
Grants		2,698,478	194,676	2,893,154
Special event revenue		41,366	-	41,366
Interest income		9,289	-	9,289
		3,798,885	213,068	4,011,953
Donated goods and services		972,180	-	972,180
Net assets released from restrictions		191,068	(191,068)	-
		1,163,248	(191,068)	972,180
Total support and revenue		4,962,133	22,000	4,984,133
Expenses:				
Program services		3,338,347	-	3,338,347
Administrative expenses		441,708	-	441,708
Fundraising expenses		352,908	-	352,908
Total expenses		4,132,963	-	4,132,963
Realized and unrealized gains on investments, net		(1,113)	-	(1,113)
Total expenses and gains		4,131,850	-	4,131,850
Change in net assets		830,283	22,000	852,283
Net assets, beginning of year		2,254,243	-	2,254,243
Net assets, end of year	$	3,084,526	22,000	3,106,526

The accompanying notes are an integral part of the financial statements.

FRANCISCAN OUTREACH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:				
Contributions	$	701,799	13,411	715,210
Bequests		58,914	-	58,914
Grants		1,482,945	175,644	1,658,589
Special event revenue		250,060	-	250,060
Interest income		23,523	-	23,523
		2,517,241	189,055	2,706,296
Donated goods and services		870,648	-	870,648
Net assets released from restrictions		192,055	(192,055)	-
		1,062,703	(192,055)	870,648
Total support and revenue		3,579,944	(3,000)	3,576,944
Expenses:				
Program services		2,683,129	-	2,683,129
Administrative expenses		546,096	-	546,096
Fundraising expenses		407,141	-	407,141
Total expenses		3,636,366	-	3,636,366
Realized and unrealized losses on investments, net		1,512	-	1,512
Total expenses and losses		3,637,878	-	3,637,878
Change in net assets		(57,934)	(3,000)	(60,934)
Net assets, beginning of year		2,312,177	3,000	2,315,177
Net assets, end of year	$	2,254,243	-	2,254,243

The accompanying notes are an integral part of the financial statements.

FRANCISCAN OUTREACH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	PROGRAM SERVICES			SUPPORTING SERVICES			
	HOUSE OF MARY & JOSEPH	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Salaries	$ 1,189,801	417,223	1,607,024	296,181	183,979	480,160	2,087,184
Medical benefits	51,051	41,626	92,677	34,828	22,691	57,519	150,196
Other employee benefits	109,368	37,466	146,834	32,414	22,052	54,466	201,300
Stipends	14,133	-	14,133	-	-	-	14,133
Professional fees and contract services	28,506	5,511	34,017	18,487	56,114	74,601	108,618
Food	924,059	-	924,059	1,333	111	1,444	925,503
Supplies	124,115	11,306	135,421	5,398	216	5,614	141,035
Postage and printing	346	422	768	220	3,753	3,973	4,741
Telephone and internet	15,230	6,099	21,329	4,616	2,401	7,017	28,346
Utilities	50,049	-	50,049	12,300	-	12,300	62,349
Rent	115,750	11,583	127,333	15,124	15,372	30,496	157,829
Insurance	26,665	3,134	29,799	1,017	1,371	2,388	32,187
Equipment repairs/rental and maintenance	69,448	3,145	72,593	12,183	2,950	15,133	87,726
Dues and multimedia	95	-	95	922	9,243	10,165	10,260
Specific assistance	10,871	8,238	19,109	-	-	-	19,109
Laundry	8,880	-	8,880	-	-	-	8,880
Local travel	2,976	10	2,986	283	33	316	3,302
Conferences and meetings	515	25	540	15	-	15	555
Fundraising expenses	-	-	-	-	21,043	21,043	21,043
Promotion	75	215	290	-	1,870	1,870	2,160
Full-time volunteer expenses	2,967	-	2,967	743	-	743	3,710
Interest expense and fees	-	-	-	-	5,757	5,757	5,757
Depreciation	44,359	3,085	47,444	4,561	3,518	8,079	55,523
Miscellaneous	-	-	-	1,083	434	1,517	1,517
	$ 2,789,259	549,088	3,338,347	441,708	352,908	794,616	4,132,963

The accompanying notes are an integral part of the financial statements.

FRANCISCAN OUTREACH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES			
	HOUSE OF MARY & JOSEPH	MARQUARD CENTER	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Salaries	$ 796,466	-	313,847	1,110,313	310,047	197,117	507,164	1,617,477
Medical benefits	41,503	-	44,842	86,345	44,445	32,185	76,630	162,975
Other employee benefits	74,050	-	31,037	105,087	28,922	18,938	47,860	152,947
Stipends	53,880	9,320	-	63,200	-	-	-	63,200
Professional fees and contract services	10,095	7,351	8,630	26,076	105,264	17,355	122,619	148,695
Food	839,055	167	767	839,989	3,197	79	3,276	843,265
Supplies	82,452	447	2,495	85,394	1,724	259	1,983	87,377
Postage and printing	143	25	439	607	476	6,743	7,219	7,826
Telephone and internet	12,507	708	5,373	18,588	4,775	2,291	7,066	25,654
Utilities	57,781	5,255	-	63,036	10,250	-	10,250	73,286
Rent	113,243	8,000	10,383	131,626	8,100	12,600	20,700	152,326
Insurance	25,238	3,857	1,137	30,232	1,132	355	1,487	31,719
Equipment repairs/rental and maintenance	43,930	4,261	6,165	54,356	16,329	2,572	18,901	73,257
Dues and multimedia	350	-	-	350	668	8,204	8,872	9,222
Specific assistance	1,613	-	6,749	8,362	-	-	-	8,362
Laundry	7,030	-	-	7,030	-	-	-	7,030
Local travel	10,783	-	13	10,796	523	135	658	11,454
Conferences and meetings	370	-	15	385	-	239	239	624
Fundraising expenses	-	-	-	-	-	97,693	97,693	97,693
Promotion	-	-	-	-	-	1,046	1,046	1,046
Full-time volunteer expenses	11,734	1,676	-	13,410	3,353	-	3,353	16,763
Interest expense and fees	-	-	-	-	-	5,604	5,604	5,604
Depreciation	27,010	-	937	27,947	5,467	3,518	8,985	36,932
Miscellaneous	-	-	-	-	1,424	208	1,632	1,632
	$ 2,209,233	41,067	432,829	2,683,129	546,096	407,141	953,237	3,636,366

The accompanying notes are an integral part of the financial statements.

FRANCISCAN OUTREACH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

		2020	2019
Cash provided by (applied to) operating activities:			
Change in net assets	$	852,283	(60,934)
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:			
Depreciation		55,523	36,932
Net realized and unrealized (gains) losses on investments		(1,113)	1,512
Contribution of equity securities		(6,839)	(9,419)
Changes in:			
Grants receivable		(240,421)	(338,339)
Contributions receivable		(90,537)	(2,369)
Prepaid insurance and other prepaid expenses		(750)	65
Accounts payable		2,964	13,655
Accrued expenses and other liabilities		(29,631)	17,283
		541,479	(341,614)
Cash provided by (applied to) investing activities:			
Purchases of investments		(1,395,577)	(2,715,097)
Proceeds from sale of investments		1,082,647	1,634,267
Purchases of property and equipment		(504,864)	(45,035)
		(817,794)	(1,125,865)
Cash provided by financing activities:			
Proceeds from Paycheck Protection Program loan		416,270	-
Net increase (decrease) in cash and cash equivalents		139,955	(1,467,479)
Cash and cash equivalents, beginning of year		425,268	1,892,747
Cash and cash equivalents, end of year	$	565,223	425,268
Noncash investing transactions -			
Contribution of equity securities	$	6,839	9,419

The accompanying notes are an integral part of the financial statements.

NOTE 1 - NATURE OF OPERATIONS

Franciscan Outreach (Organization) is a not-for-profit organization that was organized under the laws of the State of Illinois on November 16, 1976.

The Organization operates facilities located in Chicago, Illinois and provides people, who are marginalized and homeless, with food, shelter, and the critical services they need to improve their lives. Support is derived primarily from donations and grants from the government, private foundations and individuals.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles applicable to not-for-profit organizations and in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

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

Concentration of Credit Risk

The Organization maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Organization believes it is not exposed to significant credit risk on these accounts.

Grants and Contributions Receivable

The Organization records unconditional promises to give in the form of grants and contributions receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2020 and 2019, an allowance for uncollectible promises to give was not deemed necessary.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

Investments are measured at fair value, determined by quoted market price, in the statements of financial position. Investment income or loss (including gains and losses on investments and interest) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Organization capitalizes property and equipment over $1,000. The costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Vehicles	5 years
Equipment	3 - 15 years
Building improvements	10 - 30 years
Buildings	30 years
Leasehold improvements	5 years

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Change in Accounting Principles – Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Accounting Standards Codification 605, *Revenue Recognition*. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. For the year ended December 31, 2020, the Organization adopted ASU No. 2014-09. ASU No. 2014-09 has been applied using the modified retrospective method to all periods presented and resulted in no changes to previously reported net assets as there were no significant changes to the way the Organization recognizes revenue.

The Organization also elected to use the portfolio approach practical expedient. The Organization's contracts with customers contain similar terms and as a result, the Organization has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Organization does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

Revenue Recognition

The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. Special event revenue is recognized at the point in time the event takes place as this represents the point at which the goods or services are provided to the customer.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization reports conditional promises with donor restrictions as increases in net assets without donor restrictions when both the condition and restrictions are satisfied in the same reporting period.

A portion of the Organization's revenue is derived from cost-reimbursable federal and city contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization received cost-reimbursable grants of approximately $435,000 that have not been recognized at December 31, 2020, because qualifying expenditures have not yet been incurred. There were no such grants at December 31, 2019. No amounts have been received in advance under the federal and city contracts and grants.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (see Note 9).

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Allocation of expenses is based on direct allocation of costs for most expense categories. Salary and related benefits are allocated based on the direct conduct or supervision of programs and supporting services. Some non-salary expenses that benefit more than one functional category (administration, fundraising, and program) are spread across categories using a shared cost method. Under this method, the number of employees within a department (at a specific location) are divided by the total number of employees at the Organization (or total number employees at a specific location) to determine the percentage of shared costs they should bear. Occupancy expenses (rent, utilities) are allocated based on the square footage of space used for programs and supporting services. Materials and supplies are allocated based on usage. Telephone and internet are allocated based on number of users in each location. Expenses used for a specific program are charged directly to that program.

Financial Instruments

Financial instruments, which are included in the Organization's statements of financial position as of December 2020 and 2019, but not required to be measured at fair value on a recurring basis, consist of cash and cash equivalents, grants receivable, contributions receivable, accounts payable and accrued expenses and other liabilities. The carrying amount of these assets and liabilities approximate fair value.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Change in Accounting Principles – Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies certain disclosure requirements for reporting fair value measurements. The Organization adopted this guidance on a retrospective basis as of January 1, 2020 and has adjusted the presentation in these financial statements accordingly. The adoption did not have a material impact on the Organization's disclosures related to fair value measurements.

New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statements of financial position and the liabilities for the obligations under the lease also be recognized on the statements of financial position. ASU No. 2016-02 requires disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and related updates and the effect that ASU No. 2016-02 is expected to have on its financial position, changes in net assets, cash flows and related disclosures.

Management Evaluation of Going Concern

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Organization's ability to continue as a going concern for the one year period from the date the financial statements are available to be issued. Management's assessment did not identify any conditions or events raising substantial doubt about the Organization's ability to continue as a going concern for the period from May 26, 2021 to May 26, 2022.

Subsequent Events

Subsequent events have been evaluated through May 26, 2021, the date that the financial statements were available for issue.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

		2020	2019
Financial assets at year-end:			
Cash and cash equivalents	$	565,223	425,268
Grants receivable		774,984	534,563
Contributions receivable		146,924	56,387
Investments		1,409,619	1,088,737
Financial assets available to meet cash needs for general expenditures within one year	$	2,896,750	2,104,955

The Organization monitors its cash position on a monthly basis. Excess cash is invested in mutual funds.

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:

- 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 December 31, 2020 and 2019:

Mutual funds: Valued at the closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

U.S. Treasury notes: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020 and 2019:

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets in the fair value hierarchy:				
Mutual funds	$ 1,409,619	-	-	1,409,619
Total assets at fair value	$ 1,409,619	-	-	1,409,619

NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED

		Assets at Fair Value as of December 31, 2019			
		Level 1	**Level 2**	**Level 3**	**Total**
Assets in the fair value hierarchy:					
Mutual funds	$	838,573	-	-	838,573
U.S Treasury notes		-	250,164	-	250,164
Total assets at fair value	$	838,573	250,164	-	1,088,737

For the years ended December 31, 2020 and 2019, there were no significant transfers in or out of Level 3.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consisted of the following:

		2020	2019
Land	$	10,000	10,000
Buildings		90,000	90,000
Building improvements		1,114,439	1,093,339
Equipment		709,765	226,001
Vehicles		38,092	38,092
Leasehold improvements		7,420	7,420
		1,969,716	1,464,852
Less accumulated depreciation		(1,230,302)	(1,174,779)
	$	739,414	290,073

Depreciation expense included in program and supporting services was $55,523 and $36,932 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

On April 18, 2020, the Organization received loan proceeds in the amount of $416,270 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying entities in amounts up to 2.5 times the entity's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" of 24 weeks if the borrower maintains payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization is reviewing expenditures and intends to apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 18, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain donor-imposed restrictions which expire upon the passage of time or once specific purposes have been fulfilled. At December 31, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

		2020	2019
Operations - specific site	$	22,000	-

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from restrictions during the years ended December 31, 2020 and 2019 because donor restrictions were met by satisfying the stated grant purpose, passage of time, or other event are as follows:

		2020	2019
Case management	$	104,175	126,612
Operations - specific site		86,893	65,443
	$	191,068	192,055

NOTE 9 - IN-KIND CONTRIBUTIONS

The Organization received $972,180 and $870,648 in donations of food, clothing and other supplies, which were included in donated goods and services in the statements of activities for the years ended December 31, 2020 and 2019, respectively.

Certain services that were donated are acknowledged but are not recognized as contributions because they do not meet the requirements mentioned above. These include the following:

> Full time volunteers donated 3,000 hours to the Franciscan House of Mary & Joseph during 2020. Using a valuation of $31.96 per hour, which is a valuation announced by Independent Sector for 2020, less the amount paid in stipends, it is estimated that $86,969 in additional program expenses would have been incurred during 2020 if not for the services of these volunteers.
>
> Full time volunteers donated 17,263 hours to the Marquard Center and Franciscan House of Mary & Joseph during 2019. Using a valuation of $30.46 per hour, which is a valuation announced by Independent Sector for 2019, less the amount paid in stipends, it is estimated that $482,696 in additional program expenses would have been incurred during 2019 if not for the services of these volunteers.

The hourly value of time is based on the average hourly earnings of all non-management, non-agricultural workers as determined by the Bureau of Labor Statistics, with a 12 percent increase to estimate for fringe benefits.

NOTE 10 - SUPPORTING ORGANIZATION

The Fr. Tom Fratus Foundation (Foundation) was a supporting organization of the Organization under Section 509(a)(3) of the Internal Revenue Code (IRC). The purpose of the Foundation was to support the Organization in providing services. The Foundation has its own board of directors. The Foundation raises funds to support the Organization through fundraising events and through active solicitation from individuals and businesses. During 2020 and 2019, there were no contributions from the Foundation to the Organization. The Foundation was dissolved in December 2020.

NOTE 11 - OPERATING LEASES

The Organization is obligated under certain operating leases, primarily for certain office space and office equipment which expire on various dates until 2024.

Total rent expense under all operating leases amounted to $172,081 and $165,300 for the years ended December 31, 2020 and 2019, respectively. These amounts are allocated between rent, equipment repairs/rental and maintenance and laundry on the statements of functional expenses.

NOTE 11 - OPERATING LEASES, CONTINUED

The aggregate future minimum lease commitment on these leases as of December 31, 2020 is as follows:

2021	143,912
2022	47,412
2023	48,375
2024	12,894

NOTE 12 - TAX STATUS

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the IRC, and accordingly, no provision has been made for either federal or state income taxes.

The Organization has evaluated the tax positions taken for all open tax years. Currently, the 2017, 2018 and 2019 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction.

Based on the evaluation of the Organization's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2020 and 2019.

NOTE 13 - IMPACT OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. The Organization has expanded services to support those most in need and has put protective measures in place to minimize the risk of infection and transmission. The impact caused by COVID-19 has resulted in increased operating costs and capital expenditures, along with additional funding received in response to COVID-19.

SINGLE AUDIT REPORTS AND SCHEDULES

MUELLER & CO., LLP
200 W. Adams Street, Suite 2015 ■ Chicago, Illinois ■ 60606
Ph: 312.346.2191 ■ Fax: 847.888.0635 ■ www.muellercpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Franciscan Outreach
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Franciscan Outreach, which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franciscan Outreach's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franciscan Outreach's internal control. Accordingly, we do not express an opinion on the effectiveness of Franciscan Outreach's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franciscan Outreach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mueller & Co., LLP

Chicago, Illinois
May 26, 2021

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200 W. Adams Street, Suite 2015 ■ Chicago, Illinois ■ 60606
Ph: 312.346.2191 ■ Fax: 847.888.0635 ■ www.muellercpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Franciscan Outreach
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Franciscan Outreach's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Franciscan Outreach's major federal programs for the year ended December 31, 2020. Franciscan Outreach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franciscan Outreach's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franciscan Outreach's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Franciscan Outreach's compliance.

Opinion on Each Major Federal Program

In our opinion, Franciscan Outreach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Franciscan Outreach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franciscan Outreach's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franciscan Outreach's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mueller & Co., LLP

Chicago, Illinois
May 26, 2021

FRANCISCAN OUTREACH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Pass Through Grantor Number	Federal CFDA Number		Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grants(CDBG)/Entitlement Grants Cluster				
Pass-through City of Chicago Department of Family and Support Services				
Community Development Block Grant	2019-713431	14.218	$	89,952
Community Development Block Grant	2019-713707	14.218		437,500
COVID-19 Community Development Block Grant	2020-1208780	14.218		3,602
COVID-19 Community Development Block Grant	2020-1205334	14.218		45,783
Total CDBG - Entitlement Grants Cluster				576,837
Pass-through City of Chicago Department of Family and Support Services				
COVID-19 Emergency Solutions Grant Program	2020-143394	14.231	*	121,886
COVID-19 Emergency Solutions Grant Program	2020-135009	14.231	*	654,664
Total Emergency Solutions Grant Program				776,550
Pass-through Corporation for Supportive Housing				
Continuum of Care Program	19042-C	14.267		87,641
Continuum of Care Program	20054-C	14.267		48,205
Total Continuum of Care Program				135,846
Total U.S. Department of Housing and Urban Development				1,489,233
Total expenditures of federal awards			$	1,489,233

* Identified as major program

The accompanying notes are an integral part of this schedule.

FRANCISCAN OUTREACH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Franciscan Outreach (Organization) for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - SUB-RECIPIENTS

The Organization provided no federal awards to sub-recipients during the year ended December 31, 2020.

NOTE 4 - NONMONETARY ASSISTANCE

The Organization neither received nor disbursed federal awards in the form of nonmonetary assistance for the year ended December 31, 2020.

NOTE 5 - INSURANCE AND LOANS OR LOAN GUARANTEES

During the year ended December 31, 2020, the Organization received no loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

FRANCISCAN OUTREACH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.231	U.S. Department of Housing and Urban Development: Emergency Solutions Grant Progran

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Part II - Financial Statement Finding

None noted.

Part III - Federal Award Findings and Questioned Costs

None noted.