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Business & Financial Advisors

Assurance

FRANCISCAN OUTREACH

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

LOCAL KNOWLEDGE, GLOBAL EXPERTISE

FRANCISCAN OUTREACH
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Franciscan Outreach

Opinion

We have audited the accompanying financial statements of Franciscan Outreach (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Franciscan Outreach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Franciscan Outreach'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 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 Franciscan Outreach'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 Franciscan Outreach'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.

PKF Mueller

Chicago, Illinois
May 24, 2022

FRANCISCAN OUTREACH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents	$ 448,852	565,223
Accounts receivable	40,064	-
Grants receivable	694,759	774,984
Contributions receivable	164,357	146,924
Investments	1,925,449	1,409,619
Prepaid insurance and other prepaid expenses	19,334	15,471
Property and equipment, net	383,286	739,414
Total assets	$ 3,676,101	3,651,635

LIABILITIES AND NET ASSETS

	2021	2020
Liabilities:		
Accounts payable	$ 96,435	40,521
Accrued expenses	111,490	88,318
Paycheck Protection Program (PPP) loan	-	416,270
Total liabilities	207,925	545,109
Net assets:		
Without donor restrictions	3,468,176	3,084,526
With donor restrictions	-	22,000
Total net assets	3,468,176	3,106,526
Total liabilities and net assets	$ 3,676,101	3,651,635

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

FRANCISCAN OUTREACH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Contributions	$ 943,088	16,600	959,688
Bequests	130,682	-	130,682
Grants	2,036,888	215,063	2,251,951
Forgiveness of PPP loan	416,270	-	416,270
Interest income	1,026	-	1,026
	3,527,954	231,663	3,759,617
Donated goods and services	644,079	-	644,079
Net assets released from restrictions	253,663	(253,663)	-
	897,742	(253,663)	644,079
Total support and revenue	4,425,696	(22,000)	4,403,696
Expenses:			
Program services	3,235,102	-	3,235,102
Administrative	519,152	-	519,152
Fundraising	286,730	-	286,730
Total expenses	4,040,984	-	4,040,984
Realized/unrealized losses on investments, net	1,062	-	1,062
Total expenses and losses	4,042,046	-	4,042,046
Change in net assets	383,650	(22,000)	361,650
Net assets, beginning of year	3,084,526	22,000	3,106,526
Net assets, end of year	$ 3,468,176	-	3,468,176

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	441,708	-	441,708
Fundraising	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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES			SUPPORTING SERVICES			
	HOUSE OF MARY & JOSEPH	CASE MANAGEMENT	TOTAL PROGRAM SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Salaries	$ 930,726	418,787	1,349,513	341,403	162,687	504,090	1,853,603
Medical benefits	63,521	54,812	118,333	42,217	30,799	73,016	191,349
Other employee benefits	100,410	40,284	140,694	36,191	16,846	53,037	193,731
Professional fees and contract services	98,032	104,106	202,138	36,985	25,818	62,803	264,941
Food	517,734	177	517,911	650	-	650	518,561
Supplies	154,250	7,100	161,350	6,501	583	7,084	168,434
Postage and printing	548	193	741	747	3,169	3,916	4,657
Telephone and internet	16,883	7,551	24,434	5,707	3,389	9,096	33,530
Utilities	58,295	-	58,295	12,300	-	12,300	70,595
Rent	103,731	12,204	115,935	19,072	15,729	34,801	150,736
Insurance	29,130	3,493	32,623	1,115	1,510	2,625	35,248
Equipment repairs/rentals and maintenance	90,391	3,267	93,658	10,984	2,915	13,899	107,557
Dues and media	2,801	2,500	5,301	1,199	11,221	12,420	17,721
Specific assistance	8,000	7,995	15,995	-	-	-	15,995
Laundry	8,880	-	8,880	-	-	-	8,880
Local travel	2,362	60	2,422	113	-	113	2,535
Conferences and meetings	887	20	907	-	-	-	907
Fundraising expenses	-	-	-	-	1,895	1,895	1,895
Promotion	739	183	922	-	612	612	1,534
Interest expense and fees	-	-	-	-	5,734	5,734	5,734
Depreciation	379,209	5,841	385,050	3,639	3,335	6,974	392,024
Miscellaneous	-	-	-	329	488	817	817
	$ 2,566,529	668,573	3,235,102	519,152	286,730	805,882	4,040,984

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/rentals and maintenance	69,448	3,145	72,593	12,183	2,950	15,133	87,726
Dues and media	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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash provided (used) by operating activities:		
Change in net assets	$ 361,650	852,283
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	392,024	55,523
Net realized and unrealized losses (gains) on investments	1,062	(1,113)
Contribution of equity securities	(104,025)	(6,839)
Forgiveness of PPP loan	(416,270)	-
Changes in:		
Accounts receivable	(40,064)	-
Grants receivable	80,225	(240,421)
Contributions receivable	(17,433)	(90,537)
Prepaid insurance and other prepaid expenses	(3,863)	(750)
Accounts payable	55,914	2,964
Accrued expenses	23,172	(29,631)
Net cash provided by operating activities	332,392	541,479
Cash provided (used) by investing activities:		
Purchases of investments	(797,743)	(1,395,577)
Proceeds from sale of investments	384,876	1,082,647
Purchases of property and equipment	(35,896)	(504,864)
Net cash used by investing activities	(448,763)	(817,794)
Cash provided by financing activities:		
Proceeds from PPP loan	-	416,270
Net increase (decrease) in cash and cash equivalents	(116,371)	139,955
Cash and cash equivalents, beginning of year	565,223	425,268
Cash and cash equivalents, end of year	$ 448,852	565,223
Noncash investing transactions:		
Contribution of equity securities	$ 104,025	6,839
Forgiveness of PPP loan	$ 416,270	-

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

FRANCISCAN OUTREACH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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 in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations (U.S. GAAP).

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 statement 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, 2021 and 2020, an allowance for uncollectible promises to give was not deemed necessary.

Investments

Investments are reported at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is reported net of external and direct internal investment expenses and 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Vehicle	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. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and 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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue and Revenue Recognition, Continued

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 state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. 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 $0 and $435,000 that have not been recognized at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the federal and city contracts and grants.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, 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 U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors (see Note 8).

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Functional Expenses, Continued

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. 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 and 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 31, 2021 and 2020, 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. The carrying amount of these assets and liabilities approximate fair value.

Income Taxes

The Organization has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, 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 2018, 2019 and 2020 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, 2021 and 2020.

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP 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

New Accounting Standard – Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The key provisions of ASU No. 2020-07 are 1) a requirement to present contributed nonfinancial assets as a separate line item in the statements of activities and 2) disclosure of contributed nonfinancial assets disaggregated by type, which includes information about monetization and utilization, donor restrictions, and the valuation techniques used. ASU No. 2020-07 should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effect that adoption is expected to have on its statements of activities, functional expenses, and related disclosures.

New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases in the statements of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the methods of adoption allowed and the effect that adoption 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 U.S. GAAP, 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 were available to be issued. Management’s evaluation did not identify any conditions or events that raise substantial doubt about the Organization’s ability to continue as a going concern for the period from May 24, 2022 to May 24, 2023.

Subsequent Events

Subsequent events have been evaluated through May 24, 2022, the date that the financial statements were available to be issued.

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 date of the statement of financial position, comprise the following:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 448,852	565,223
Accounts receivable	40,064	-
Grants receivable	694,759	774,984
Contributions receivable	164,357	146,924
Investments	1,925,449	1,409,619
Financial assets available to meet cash needs for general expenditures within one year	$ 3,273,481	2,896,750

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

NOTE 4 - FAIR VALUE MEASUREMENTS

U.S. GAAP 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.

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

NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED

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, 2021 and 2020.

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.

Fixed income: 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 tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021 and 2020:

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Mutual funds	$ 1,728,263	-	-	1,728,263
U.S. Treasury notes	-	98,844	-	98,844
Fixed income	-	98,342	-	98,342
Total assets in the fair value hierarchy	$ 1,728,263	197,186	-	1,925,449

NOTE 4 - FAIR VALUE MEASUREMENTS, CONTINUED

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

For the years ended December 31, 2021 and 2020, there were no significant transfers into or out of Level 3.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Land	$ 10,000	10,000
Buildings	90,000	90,000
Building improvements	1,114,439	1,114,439
Equipment	668,730	709,765
Vehicles	28,705	38,092
Leasehold improvements	7,420	7,420
Total property and equipment	1,919,294	1,969,716
Less accumulated depreciation	(1,536,008)	(1,230,302)
Property and equipment, net	$ 383,286	739,414

Depreciation expense included in program and supporting services were $392,024 and $55,523 for the years ended December 31, 2021 and 2020, 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 businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” of 24 weeks as long as the borrower maintains its 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 or five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period.

NOTE 6 - PAYCHECK PROTECTION PROGRAM NOTE LOAN, CONTINUED

The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Organization recognized the forgiveness of the PPP loan of $416,270 for the year ended December 31, 2021.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods for the years ended December 31, 2021 and 2020:

	2021	2020
Operations - specific site	$ -	22,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Case management	$ 69,950	104,175
Operations - specific site	183,713	86,893
Total net assets released from donor restrictions	$ 253,663	191,068

NOTE 8 - IN-KIND CONTRIBUTIONS

The Organization received $644,079 and $972,180 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, 2021 and 2020, respectively.

Certain services that were donated are acknowledged but are not recognized as contributions because they do not meet the requirements mentioned above. There were none in 2021. The following were included in 2020:

> 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.

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 9 - 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 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. The Foundation was dissolved in December 2020.

NOTE 10 - OPERATING LEASES

The Organization is obligated under 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 approximately $164,953 and $172,081 for the years ended December 31, 2021 and 2020, respectively. These amounts are allocated between rent, equipment repairs/rental and maintenance, and laundry on the statement of functional expenses.

The aggregate future minimum lease commitment on these leases as of December 31, 2021 is as follows:

2022	$	146,157
2023		48,375
2024		12,894

NOTE 11 - CONTINGENCY

The $416,270 PPP loan and its forgiveness are subject to examination under the terms of the agreement with the Small Business Administration for a period of six years from the date the PPP loan is forgiven, which was August 2021. The Organization is not currently under examination nor has the Organization been contacted.

NOTE 12 - 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 and the world. To date, the impact on the Organization’s operations and results has not been significant and management expects this to remain the case. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the Organization’s changes in net assets and financial performance.