# St. Leonard's Ministries

Consolidated Financial Report
June 30, 2020 and 2019

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## Contents

RSM US LLP

# Independent Auditor's Report

Board of Directors
St. Leonard's Ministries

**Report on the Financial Statements**
We have audited the accompanying consolidated financial statements of St. Leonard's Ministries (the Agency) which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 St. Leonard's Ministries as of June 30, 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.

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**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual entities 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 consolidating information has been subjected to the auditing procedures applied in the audits 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.

RSM US LLP

Chicago, Illinois
October 12, 2020

**St. Leonard's Ministries**

**Consolidated Statements of Financial Position**
**June 30, 2020 and 2019**

| | | **2020** | | 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | **$** | **1,579,202** | $ | 810,539 |
| Restricted cash - reserves and escrow | | **566,821** | | 590,784 |
| Investments | | **1,739,824** | | 1,658,110 |
| Accounts receivable, net | | **337,706** | | 341,184 |
| Contributions receivable | | **141,192** | | 273,029 |
| Prepaid expenses | | **7,851** | | 7,163 |
| Property and equipment, net | | **3,330,692** | | 3,570,996 |
| | **$** | **7,703,288** | $ | 7,251,805 |
| **Liabilities and Net Assets** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | **$** | **41,849** | $ | 8,528 |
| Accrued vacation | | **106,841** | | 94,659 |
| Accrued wages | | **79,613** | | 73,788 |
| Capital lease obligation | | **15,233** | | 21,744 |
| Loans payable | | **1,753,048** | | 1,792,152 |
| Forgivable loan | | **363,800** | | - |
| Deferred revenue | | **30,948** | | - |
| Other liabilities | | **23,195** | | 25,919 |
| | | **2,414,527** | | 2,016,790 |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Operating | | **1,670,630** | | 1,251,395 |
| Invested in capital assets | | **2,129,232** | | 2,347,884 |
| Board designated fund | | **1,347,707** | | 1,347,707 |
| | | **5,147,569** | | 4,946,986 |
| With donor restrictions | | **141,192** | | 288,029 |
| | | **5,288,761** | | 5,235,015 |
| | **$** | **7,703,288** | $ | 7,251,805 |

See notes to consolidated financial statements.

**St. Leonard's Ministries**

**Consolidated Statement of Activities**
**Year Ended June 30, 2020**

| | Without Donor Restrictions | With Donor Restrictions | **2020 Total** |
|---|---|---|---|
| Revenue: | | | |
| Contributions and donations | $ 388,652 | $ 12,500 | **$ 401,152** |
| Foundation grants | 640,059 | 62,200 | **702,259** |
| Allocation from United Way/Crusade of Mercy, Inc. | 30,340 | - | **30,340** |
| Fees and grants from governmental agencies | 1,615,886 | - | **1,615,886** |
| Investment income | 48,285 | - | **48,285** |
| Interest income | 6,054 | - | **6,054** |
| Tenant rental income | 62,475 | - | **62,475** |
| Rent subsidy | 493,851 | - | **493,851** |
| Other income | 31,781 | - | **31,781** |
| Net assets released from restrictions | 221,537 | (221,537) | **-** |
| | 3,538,920 | (146,837) | **3,392,083** |
| Expenses: | | | |
| Program services | 2,576,125 | - | **2,576,125** |
| Support services: | | | |
| Management and general | 590,998 | - | **590,998** |
| Fundraising | 171,214 | - | **171,214** |
| | 762,212 | - | **762,212** |
| | 3,338,337 | - | **3,338,337** |
| **Increase (decrease) in net assets** | 200,583 | (146,837) | **53,746** |
| Net assets: | | | |
| Beginning of year | 4,946,986 | 288,029 | **5,235,015** |
| End of year | $ 5,147,569 | $ 141,192 | **$ 5,288,761** |

See notes to consolidated financial statements.

**St. Leonard's Ministries**

**Consolidated Statement of Activities**
**Year Ended June 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | **2019 Total** |
|---|---|---|---|
| Revenue: | | | |
| Contributions and donations | $ 317,858 | $ 15,000 | **$ 332,858** |
| Foundation grants | 363,025 | 234,162 | **597,187** |
| Allocation from United Way/Crusade of Mercy, Inc. | 37,000 | - | **37,000** |
| Fees and grants from governmental agencies | 1,536,557 | - | **1,536,557** |
| Special events revenue | 29,959 | - | **29,959** |
| Investment income | 2,684 | - | **2,684** |
| Interest income | 34,641 | - | **34,641** |
| Tenant rental income | 62,131 | - | **62,131** |
| Rent subsidy | 471,318 | - | **471,318** |
| Other income | 86,239 | - | **86,239** |
| Net assets released from restrictions | 181,325 | (181,325) | **-** |
| | 3,122,737 | 67,837 | **3,190,574** |
| Expenses: | | | |
| Program services | 2,452,751 | - | **2,452,751** |
| Support services: | | | |
| Management and general | 563,417 | - | **563,417** |
| Fundraising | 131,542 | - | **131,542** |
| | 694,959 | - | **694,959** |
| | 3,147,710 | - | **3,147,710** |
| **Increase (decrease) in net assets** | (24,973) | 67,837 | **42,864** |
| Net assets: | | | |
| Beginning of year | 4,971,959 | 220,192 | **5,192,151** |
| End of year | $ 4,946,986 | $ 288,029 | **$ 5,235,015** |

See notes to consolidated financial statements.

**St. Leonard's Ministries**

**Consolidated Statement of Functional Expenses**
**Year Ended June 30, 2020**

| | Program Services | Support Services: Management and General | Support Services: Fundraising | Support Services: Total | **2020 Total** |
|---|---|---|---|---|---|
| Compensation and benefits | $ 1,829,680 | $ 417,266 | $ 169,978 | $ 587,244 | **$ 2,416,924** |
| Occupancy | 18,420 | 1,198 | - | 1,198 | **19,618** |
| Utilities | 112,726 | 14,153 | - | 14,153 | **126,879** |
| Equipment repairs and maintenance | 53,386 | 13,659 | - | 13,659 | **67,045** |
| Insurance and bonding | 58,884 | 13,421 | - | 13,421 | **72,305** |
| Telephone | 11,714 | 3,965 | - | 3,965 | **15,679** |
| Internet | 6,279 | 1,113 | - | 1,113 | **7,392** |
| Postage and shipping | 426 | 1,274 | - | 1,274 | **1,700** |
| Supplies | 40,876 | 6,926 | - | 6,926 | **47,802** |
| Professional fees | 44,875 | 63,030 | - | 63,030 | **107,905** |
| Legal fees | - | - | - | - | **-** |
| Transportation and automotive | 9,968 | 950 | - | 950 | **10,918** |
| Food | 19,309 | 4,862 | - | 4,862 | **24,171** |
| Membership dues and subscription | 800 | 1,065 | - | 1,065 | **1,865** |
| Outside printing and artwork | 603 | 7,848 | - | 7,848 | **8,451** |
| Conferences, convention and meeting | 510 | 215 | - | 215 | **725** |
| Event and other costs | - | - | 1,236 | 1,236 | **1,236** |
| Specific client assistance | 83,112 | - | - | - | **83,112** |
| Miscellaneous | 26,753 | 11,638 | - | 11,638 | **38,391** |
| Depreciation and amortization | 243,269 | 28,415 | - | 28,415 | **271,684** |
| Interest expense | 14,535 | - | - | - | **14,535** |
| | $ 2,576,125 | $ 590,998 | $ 171,214 | $ 762,212 | **$ 3,338,337** |

See notes to consolidated financial statements.

**St. Leonard's Ministries**

**Consolidated Statement of Functional Expenses**
**Year Ended June 30, 2019**

| | Program Services | Support Services: Management and General | Support Services: Fundraising | Support Services: Total | **2019 Total** |
|---|---|---|---|---|---|
| Compensation and benefits | $ 1,646,130 | $ 375,471 | $ 122,163 | $ 497,634 | **$ 2,143,764** |
| Occupancy | 17,588 | 1,035 | - | 1,035 | **18,623** |
| Utilities | 101,066 | 15,738 | - | 15,738 | **116,804** |
| Equipment repairs and maintenance | 68,029 | 26,771 | - | 26,771 | **94,800** |
| Insurance and bonding | 77,478 | 14,968 | - | 14,968 | **92,446** |
| Telephone | 12,408 | 4,124 | - | 4,124 | **16,532** |
| Internet | 5,628 | 752 | - | 752 | **6,380** |
| Postage and shipping | 815 | 734 | - | 734 | **1,549** |
| Supplies | 31,073 | 8,360 | - | 8,360 | **39,433** |
| Professional fees | 49,973 | 45,222 | - | 45,222 | **95,195** |
| Legal fees | - | 4,444 | - | 4,444 | **4,444** |
| Transportation and automotive | 19,713 | 1,579 | - | 1,579 | **21,292** |
| Food | 11,728 | 2,992 | - | 2,992 | **14,720** |
| Membership dues and subscription | 332 | 1,730 | - | 1,730 | **2,062** |
| Outside printing and artwork | 6,491 | 8,455 | - | 8,455 | **14,946** |
| Conferences, convention and meeting | 525 | 1,334 | - | 1,334 | **1,859** |
| Event and other costs | - | - | 9,379 | 9,379 | **9,379** |
| Specific client assistance | 100,160 | - | - | - | **100,160** |
| Miscellaneous | 28,430 | 24,411 | - | 24,411 | **52,841** |
| Depreciation and amortization | 258,621 | 25,297 | - | 25,297 | **283,918** |
| Interest expense | 16,563 | - | - | - | **16,563** |
| | $ 2,452,751 | $ 563,417 | $ 131,542 | $ 694,959 | **$ 3,147,710** |

See notes to consolidated financial statements.

**St. Leonard's Ministries**

**Consolidated Statements of Cash Flows**
**Years Ended June 30, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Increase in net assets | $ 53,746 | $ 42,864 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 271,684 | 283,918 |
| Realized and unrealized gains on investments | (41,560) | (5,204) |
| Changes in: | | |
| Accounts receivable | 3,478 | 40,228 |
| Contributions receivable | 131,837 | (52,837) |
| Prepaid expenses | (688) | (3,507) |
| Deferred charges | - | 8,500 |
| Accounts payable and accrued expenses | 33,321 | (22,031) |
| Accrued vacation | 12,182 | 16,544 |
| Accrued wages | 5,825 | 4,294 |
| Deferred revenue | 30,948 | - |
| Other liabilities | - | 3,375 |
| **Net cash provided by operating activities** | 500,773 | 316,144 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (31,380) | (71,950) |
| Purchase of investments | (1,804,413) | (1,655,426) |
| Sale of investments | 1,737,571 | - |
| Deposit into cash reserves and escrow | (14,447) | (20,811) |
| Withdrawals from cash reserves and escrow | 38,410 | 23,331 |
| **Net cash used in investing activities** | (74,259) | (1,724,856) |
| Cash flows from financing activities: | | |
| Payments on capital lease obligation | (6,511) | (5,913) |
| Repayment of loan payable | (39,103) | (47,618) |
| Proceeds from loan payable | 363,800 | - |
| **Net cash provided by (used in) financing activities** | 318,186 | (53,531) |
| **Increase (decrease) in cash and restricted cash** | 744,700 | (1,462,243) |
| Cash and restricted cash : | | |
| Beginning of year | 1,401,323 | 2,863,566 |
| End of year | $ 2,146,023 | $ 1,401,323 |
| Reconciliation of cash and restricted cash: | | |
| Cash | 1,579,202 | 810,539 |
| Restricted cash | 566,821 | 590,784 |
| Total cash and restricted cash | $ 2,146,023 | $ 1,401,323 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ 14,535 | $ 16,563 |

See notes to consolidated financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies

St. Leonard's Ministries (the Agency) is a nonprofit social service agency and a ministry partner of Episcopal Charities and Community Services. The Agency provides residential and case management services to formerly incarcerated adults through its St. Leonard's House (men) and Grace House (women) facilities. The services, which include drug and alcohol counseling, job and medical referral, and providing a neutral environment in which to live, are designed to assist program participants in making a transition to independent living. The Agency reports revenue under annual contracts with the Illinois Department of Human Services, the Illinois Department of Corrections (IDOC), the Chicago Department of Family and Support Services, the Chicago Department of Planning and Development, the Chicago Department of Housing, Public Health Institute of Metropolitan of Chicago, Cook County Justice Advisory Council, as well as other grants and contributions. Operations are conducted from owned and leased facilities in Chicago, Illinois.

The Agency operates the Michael Barlow Center (Center), an employment training facility which provides entry-level skills to participants in order to successfully reintroduce them into the workforce, and other job development and placement services.

The Agency also conducts a permanent supportive housing program for residents on the second floor of a residential project in Chicago known as Harvest Commons Residence.

The financial statements also include the accounts and activities of St. Andrew's Court, L.P. (the Partnership), an Illinois limited partnership. The Partnership was organized in 1997 for the purpose of constructing and operating a residential rental facility located adjacent to the Agency. The facility's 42 single room occupancy (SRO) units are leased to qualified very low-income individuals who have completed the program at the Agency.

**Basis of presentation**: The financial statements are prepared using the accrual basis of accounting and, in accordance with Accounting Standards Codification (ASC) Topic 958, *Reporting of Related Entities by Not-for-Profit Organizations*, the Agency's financial statements consolidate the activities of St. Andrew's Court, L.P., its affiliate. The Agency meets the criteria for consolidation due to its level of control over, and economic interest in, the Partnership. All significant inter-organizational balances and transactions have been eliminated in consolidation.

The Agency maintains its financial accounts in accordance with the principles of fund accounting. This allows resources to be classified for accounting purposes into funds established according to their nature and purpose. For financial reporting purposes, net assets and related activity of the Agency's funds are classified as net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions.

**Net assets without donor restrictions**: Net assets that are available for the general operating purposes of the Agency are classified as net assets without donor restrictions. Activities in this net asset category include amounts received from government agencies and all expenses associated with the core activities of the Agency. Also included in this category are contributions without donor restrictions, investment income (inclusive of gains and losses on investment activity) and received restricted contributions whose donor-imposed restrictions were met during the fiscal period.

Net assets without donor restrictions also include amounts representing the balances of the Agency's property and equipment (net of related loans payable), separately classified as invested in capital assets, and the board designated fund.

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

The board designated fund represents funds under the control of, and to be used for purposes as authorized by, the Agency's board of directors. The earnings from the board designated fund were generally reinvested and not used in operations.

**Net assets with donor restrictions**: Net assets with donor restrictions represent assets subject to donor-imposed restrictions which will be met by the Agency's actions or the passage of time and are reclassified to net assets without donor restrictions when the restrictions are met or have expired. These reclassifications are reported in the consolidated statements of activities as net assets released from restrictions. At June 30, 2020 and 2019, net assets with donor restrictions are $141,192 and $288,029, respectively, and are restricted for future periods. Net assets restricted by donors to be invested in perpetuity are also reflected as net assets with donor restrictions. At June 30, 2020 and 2019, the Agency did not have any net assets required to be invested in perpetuity.

**Revenue recognition**: Contributions and foundation grants are recognized when a donor's unconditional promise to give to the Agency has been received. Fees and grants from governmental agencies are considered non-exchange transactions, follow accounting for conditional contributions, and are reflected in the financial statements as activities without donor restrictions. Governmental revenue is recognized as qualifying expenses are incurred, with any excess funding or amounts received in advance recorded as deferred revenue until utilized. Contributed land and buildings are recorded at estimated fair value, based on appraisals.

Rental income is recognized as revenue on a monthly basis over the term of the lease. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

**Cash**: The Agency maintains its cash balance in a bank account which at times may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes that the Agency is not exposed to any significant credit risk on cash.

**Investments**: Investments are recorded at fair value. The fair values of investments are generally determined based on quoted market prices. Changes in fair value are recorded as realized and unrealized gains (losses) in the statements of activities.

The Agency's investment portfolio is subject to various risks, such as market risk. Because of these risks, changes in fair value of the investments may occur, and such changes could materially affect the Agency's financial statements.

**Accounts receivable**: Accounts receivable, consisting of fees, subsidies and grants due from governmental agencies, are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances, evaluates collectability, and records an allowance for doubtful accounts for potentially uncollectible balances.

**Contributions receivable**: Contributions receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Contributions receivable have been discounted to present value using rates that approximate the risk associated with the ultimate collection of the receivable. The discount is amortized using an effective yield over the expected collection period of the receivable.

Contributions are considered to be available for general expenditures unless specifically restricted by the donors. Contributions restricted by the donors for use in future periods or for specific purposes are reported as increases to net assets with donor restrictions.

### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions receivable at June 30, 2020, are expected to be collected as follows:

| | | |
|---|---|---|
| 2021 | $ | 93,700 |
| 2022 | | 50,000 |
| | | 143,700 |
| Discount to present value | | (2,508) |
| | $ | 141,192 |

Contributions receivable have been discounted to their net present value using a discount rate of 3% at June 30, 2020.

**Property and equipment**: Purchased property and equipment are reflected at cost. Contributed property is recorded at fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of certain leasehold improvements were provided over 3 years, representing the lesser of the estimated useful lives of the improvements or the term of the lease.

| Depreciable Asset | Estimated Useful Life |
|---|---|
| Buildings and building improvements | 15 - 27.5 years |
| Leasehold improvements | Term of lease |
| Equipment, furniture and fixtures | 5 - 7 years |
| Vehicles | 3 years |

The accounting standards for long-lived assets require that management review the real estate assets' carrying values for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such events or circumstances exist for the reporting periods presented in the financial statements.

**Income taxes**: The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Agency files annual information returns in the U.S. federal jurisdiction and the State of Illinois. The Partnership is not subject to federal income tax because its income and losses are includable in the tax returns of its partners but may be subject to certain state taxes.

Management has determined that there are no uncertain tax positions during the reporting periods presented in these financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Functional expense**: The costs of providing program and other activities have been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among the functional categories. Such allocations are determined by management on an equitable basis. The expenses that are allocated include utilities, insurance and bonding, depreciation, and amortization, which are allocated based on department headcounts, as well as telephone and internet, which are allocated by equipment usage rates. Compensation and benefits are allocated on the basis of estimates of time and effort.

**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 affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Adopted accounting pronouncements**: Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP, but excludes from its scope certain revenue such as contributions and grants, investment income and rental income from leases. As a result, the adoption of this standard had no impact on the consolidated financial statements.

In 2020, the Agency also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The adoption of this standard had no impact on the consolidated financial statements.

In 2020, the Agency also adopted the ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* This ASU provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Agency adopted this guidance for its 2020 financial statements and applied to both periods presented herein. Certain amounts in the consolidated statement of cash flows for fiscal year 2019 were reclassified with the adoption of ASU 2016-18.

**Pending accounting pronouncements**: In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for the Agency's June 30, 2023, financial statements, but may be deferred for one year. Early adoption is permitted. The Agency is currently evaluating the impact of this standard on the consolidated financial statements.

**Significant events**: In March 2020, the World Health Organization declared the coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economy and financial markets. It is unknown how long the current conditions associated with coronavirus will last and what the complete financial effect will be to the Agency.

### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In addition, it is reasonably possible that estimates made in the financial statements have been, or will be, materially impacted in the near term as a result of these conditions. Further, stock market fluctuations will continue to affect the value of the Agency's investments and those fluctuations at times may be material.

**Subsequent events**: The Agency has evaluated subsequent events for potential recognition and/or disclosure through October 12, 2020, the date the consolidated financial statements were available to be issued.

### Note 2. Cash – Reserves and Escrow

Pursuant to the St. Andrew's Court, L.P. partnership agreement, the Partnership is depositing $700 per month into a replacement reserve. The reserve, administered by Illinois Housing Development Authority (IHDA), is an interest-bearing account and can be used to fund property improvements and replacements. Also pursuant to the partnership agreement, the Partnership established an operating reserve, in the initial amount of $471,000. The Partnership is also required to deposit the following:

(i) From the General Partner's adjusted capital contributions, the amount of $50,000, all of which has been funded.

(ii) All excess annual cash flow (as defined). This reserve is administered by IHDA, and all interest earned is to be maintained in the reserve until the amount has reached $871,256.

The Partnership is required to fund, from surplus cash, amounts to be used to pay real estate taxes and insurance, which funds are in the custody of the IHDA. In 2017, IHDA temporarily advanced the Partnership funds from the reserve to provide liquidity for unpaid IDOC receivables. The Partnership may be required to replenish these funds as the IDOC vouchers are reimbursed.

At June 30, 2020 and 2019, restricted cash deposits are as follows:

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Balance, June 30, 2019 | Additions | Withdrawals | Interest Earned | Balance, June 30, 2020 |
| Operating reserve | $ 342,472 | $ - | $ - | $ 3,630 | $ 346,102 |
| Replacement reserve | 116,020 | 8,400 | (38,410) | 1,037 | 87,047 |
| Insurance and real estate tax escrow | 132,292 | - | - | 1,380 | 133,672 |
| | $ 590,784 | $ 8,400 | $ (38,410) | $ 6,047 | $ 566,821 |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Balance, July 1, 2018 | Additions | Withdrawals | Interest Earned | Balance, June 30, 2019 |
| Operating reserve | $ 335,375 | $ - | $ - | $ 7,097 | $ 342,472 |
| Replacement reserve | 128,379 | 8,400 | (23,331) | 2,572 | 116,020 |
| Insurance and real estate tax escrow | 129,550 | - | - | 2,742 | 132,292 |
| | $ 593,304 | $ 8,400 | $ (23,331) | $ 12,411 | $ 590,784 |

## Note 3. Investments

The composition of investment assets held by the Agency at June 30, 2020, is summarized as follows:

| | Fair Value | Cost |
|---|---|---|
| Investments: | | |
| Money market funds | $ 219,384 | $ 219,384 |
| Mutual funds: Equities | 674,627 | 685,541 |
| Mutual funds: Fixed Income | 328,001 | 319,104 |
| Exchange traded products: Fixed Income | 517,812 | 501,740 |
| | $ 1,739,824 | $ 1,725,769 |

## Note 4. Fair Value Disclosures

The provisions of the Fair Value Measurements and Topic of the FASB ASC (the Topic) applies to all assets and liabilities that are being measured and reported at fair value and requires disclosure that establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Topic defines fair value as the price that would be received upon a sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Other observable inputs, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs not corroborated by market data that reflect management's best estimate of fair value using its own assumptions that market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Investments in money market funds, mutual funds in equities and fixed income, and exchange traded products in fixed income are stated at the daily closing price on the day of valuation. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Agency are deemed to be actively traded. The fair value of the money market funds, mutual funds, and exchange traded products are entirely Level 1 values at June 30, 2020. There have been no changes in the methodology used at June 30, 2020.

Investments are the only assets measured at fair value on a recurring basis.

## Note 5. Accounts Receivable

Accounts receivable at June 30, 2020 and 2019, consists of amounts due from:

| | 2020 | | |
|---|---|---|---|
| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Total |
| Illinois Department of Corrections (rent subsidies) | $ - | $ 78,875 | $ 78,875 |
| Illinois Department of Corrections (other contracts) | 68,209 | - | 68,209 |
| Illinois Department of Human Services | 77,910 | - | 77,910 |
| Other government agencies | 118,573 | - | 118,573 |
| Other | 7,222 | 171 | 7,393 |
| | 271,914 | 79,046 | 350,960 |
| Allowance for doubtful accounts | (5,795) | (7,459) | (13,254) |
| | $ 266,119 | $ 71,587 | $ 337,706 |

| | 2019 | | |
|---|---|---|---|
| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Total |
| Illinois Department of Corrections (rent subsidies) | $ - | $ 85,066 | $ 85,066 |
| Illinois Department of Corrections (other contracts) | 30,469 | - | 30,469 |
| Illinois Department of Human Services | 36,212 | 74,623 | 110,835 |
| Other government agencies | 112,965 | - | 112,965 |
| Other | 7,473 | 7,630 | 15,103 |
| | 187,119 | 167,319 | 354,438 |
| Allowance for doubtful accounts | (5,795) | (7,459) | (13,254) |
| | $ 181,324 | $ 159,860 | $ 341,184 |

The Partnership receives a subsidy from the Illinois Department of Corrections (IDOC) of $42 per unit per day for 12 rental units. IDOC may terminate the contract without cause and penalty with 30 days' notice. At June 30, 2020 and 2019, the uncollected subsidy receivable amounted to $78,875 and $85,066, respectively.

During the fiscal year 2018, the Agency sold $127,597 of uncollected vouchers from the IDOC to the Vendor Assistance Program, LLC (VAP), an unrelated third party which operates under the guidelines of the State of Illinois vendor payment program. Pursuant to the purchase agreement, the Agency received payments in an amount equivalent to 90% of vouchers sold and will receive the remaining 10% after VAP receives payment in full from IDOC. VAP retains any interest on the vouchers paid by IDOC. As there is uncertainty about the collectability of the remaining 10% of receivables from VAP, the Agency and Partnership have recorded an allowance for doubtful accounts totaling $13,254 at June 30, 2020 and 2019, which represents the remaining uncollected receivables from VAP.

## Note 6. Property and Equipment

Property and equipment at June 30, 2020 and 2019, consists of:

| | 2020 | | |
|---|---|---|---|
| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Total |
| Land | $ 652,858 | $ 300,000 | $ 952,858 |
| Buildings and building improvements | 5,006,903 | 1,288,463 | 6,295,366 |
| Equipment, furniture and fixtures | 543,634 | 174,853 | 718,487 |
| Vehicle | 46,667 | - | 46,667 |
| | 6,250,062 | 1,763,316 | 8,013,378 |
| Accumulated depreciation and amortization | (3,831,967) | (850,719) | (4,682,686) |
| | $ 2,418,095 | $ 912,597 | $ 3,330,692 |

| | 2019 | | |
|---|---|---|---|
| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Total |
| Land | $ 652,858 | $ 300,000 | $ 952,858 |
| Buildings and building improvements | 5,006,097 | 1,282,297 | 6,288,394 |
| Equipment, furniture and fixtures | 521,161 | 172,918 | 694,079 |
| Vehicle | 46,667 | - | 46,667 |
| | 6,226,783 | 1,755,215 | 7,981,998 |
| Accumulated depreciation and amortization | (3,658,322) | (752,680) | (4,411,002) |
| | $ 2,568,461 | $ 1,002,535 | $ 3,570,996 |

A 2006 purchase agreement with the City of Chicago acknowledges the Agency’s intention to utilize the Grace House property as a women’s shelter through December 31, 2024. In addition, the purchase agreement allows for the Agency to request revision of the usage requirement. In the event the property is not utilized as a women’s shelter or any other permitted social service activity, the City of Chicago has the right to revert title of the property back to the City of Chicago.

## Note 7. Loans Payable

Loans payable at June 30, 2020 and 2019, were as follows:

| | 2020 | 2019 |
|---|---|---|
| Loan payable to IFF (a community development institution which provides loans to other nonprofit organizations) which bears interest currently at 2.49% and is secured by the Center building; the Agency is required to make monthly principal and interest payments through September 2020, the term of the loan, in an amount totaling $1,479. | $ 4,306 | $ 21,263 |
| Secured loan agreement with IFF for Gracie's Café leasehold improvements (in October 2016, Gracie's Café was closed and the Center building was substituted for collateral). The loan currently bears interest at 5.25% with monthly principal and interest payments of $2,803 which began in January 2014. The term of the loan is through December 2028 and provides for changes in the applicable interest rate in December 2023. | 230,205 | 251,151 |
| First mortgage issued in 1997 by IHDA to St. Andrew's Court, L.P., in the original amount of $1,544,638 and bearing no interest. Monthly principal payments of $100 are due through January 2030, when the remaining unpaid amount is due. The loan is collateralized by the rental property and assignment of rents and leases. | 1,518,537 | 1,519,738 |
| | $ 1,753,048 | $ 1,792,152 |

Future minimum principal payments for the loans are as follows:

| | |
|---|---|
| 2021 | $ 27,578 |
| 2022 | 24,459 |
| 2023 | 25,710 |
| 2024 | 27,028 |
| 2025 | 28,418 |
| Thereafter | 1,619,855 |
| | $ 1,753,048 |

## Note 8. Forgivable Loan

On May 6, 2020, the Agency received loan proceeds in the amount of $363,800 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks (later extended to 24 weeks) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The loan is in the form of a promissory note payable to Bank of America, with a term through April 2022. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Agency intends to use the proceeds for purposes consistent with the PPP. While forgiveness of the loan, in whole or in part, cannot be assured, the Agency believes that its use of the loan proceeds will meet the conditions for forgiveness. Accordingly, proceeds from the PPP loan are accounted for as a conditional contribution and recognized as a refundable advance until the conditions for forgiveness have been substantially met or explicitly waived.

## Note 9. Leases

The Agency leases facility space at a residential project for the Agency's Harvest Commons Residence program, through December 31, 2022. The lease provides for a monthly base rent of $706 with an annual incremental increase in the base rent of 3%.

Certain equipment is leased under an agreement requiring payments through 2023. This has been recorded in the consolidated financial statements as a capital lease.

Future minimum lease payments under these arrangements are as follows:

| | Capital Leases | Operating Leases |
|---|---|---|
| 2021 | $ 8,172 | $ 9,120 |
| 2022 | 8,172 | 9,390 |
| 2023 | 681 | 4,764 |
| Total minimum lease payments | 17,025 | $ 23,274 |
| Less amounts representing interest | (1,792) | |
| Present value of net minimum lease payments | $ 15,233 | |

## Note 10. Liquidity

The Agency regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2020, the following financial assets are available to meet annual operating needs of fiscal year 2020:

| | |
|---|---|
| Financial assets, at year-end: | |
| Cash | $ 1,579,202 |
| Cash - reserves and escrow | 566,821 |
| Investments | 1,739,824 |
| Accounts receivable, net | 337,706 |
| Contributions receivable | 141,192 |
| | 4,364,745 |
| Less amounts not available to be used for general expenditures within one year: | |
| Cash - reserves and escrow | (566,821) |
| Board designated fund | (1,347,707) |
| Contributions receivable expected to be collected in greater than one year | (50,000) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 2,400,217 |

If needed, cash – reserves and escrow can be made available for certain types of qualifying expenditures that relate to the operations of St. Andrew's Court, L.P. The Agency's board designated funds could also be made available for general expenditures if required.

## Note 11. Contingencies

The Agency's revenue includes approximately $1,616,000 and $1,537,000 of fees and grants from State of Illinois and government agencies during 2020 and 2019, respectively. A significant reduction in this level of support, if it were to occur, could have a significant effect on the Agency's programs and activities. A portion of this support is subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

## Supplementary Information

**St. Leonard's Ministries**

**Consolidating Statement of Financial Position**
**June 30, 2020**

| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Eliminations | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 1,245,752 | $ 333,450 | $ - | $ 1,579,202 |
| Cash - reserves and escrow | - | 566,821 | - | 566,821 |
| Investments | 1,477,139 | 262,685 | - | 1,739,824 |
| Accounts receivable, net | 266,119 | 71,587 | - | 337,706 |
| Contributions receivable | 141,192 | - | - | 141,192 |
| Due from St. Andrew's Court | 5,253 | - | (5,253) | - |
| Prepaid expenses | 7,099 | 752 | - | 7,851 |
| Property and equipment, net | 2,418,095 | 912,597 | - | 3,330,692 |
| Investment in St. Andrew's Court, L.P. | 562,782 | - | (562,782) | - |
| | $ 6,123,431 | $ 2,147,892 | $ (568,035) | $ 7,703,288 |
| **Liabilities and Net Assets** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 30,735 | $ 16,367 | $ (5,253) | $ 41,849 |
| Accrued vacation | 97,408 | 9,433 | - | 106,841 |
| Accrued wages | 63,348 | 16,265 | - | 79,613 |
| Capital lease obligation | 13,921 | 1,312 | - | 15,233 |
| Loans payable | 234,510 | 1,518,538 | - | 1,753,048 |
| Forgivable Loan | 363,800 | - | - | 363,800 |
| Deferred revenue | 30,948 | - | - | 30,948 |
| Other liabilities | - | 23,195 | - | 23,195 |
| | 834,670 | 1,585,110 | (5,253) | 2,414,527 |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Operating | 1,670,630 | 603,214 | (603,214) | 1,670,630 |
| Invested in capital assets | 2,129,232 | (40,432) | 40,432 | 2,129,232 |
| Board designated fund | 1,347,707 | - | - | 1,347,707 |
| | 5,147,569 | 562,782 | (562,782) | 5,147,569 |
| With donor restrictions | 141,192 | - | - | 141,192 |
| | 5,288,761 | 562,782 | (562,782) | 5,288,761 |
| | $ 6,123,431 | $ 2,147,892 | $ (568,035) | $ 7,703,288 |

**St. Leonard's Ministries**

**Consolidating Statement of Financial Position**
**June 30, 2019**

| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Eliminations | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 656,887 | $ 153,652 | $ - | $ 810,539 |
| Cash - reserves and escrow | - | 590,784 | - | 590,784 |
| Investments | 1,407,809 | 250,301 | - | 1,658,110 |
| Accounts receivable, net | 181,324 | 159,860 | - | 341,184 |
| Contributions receivable | 273,029 | - | - | 273,029 |
| Due from St. Andrew's Court | 6,598 | - | (6,598) | - |
| Prepaid expenses | 6,360 | 803 | - | 7,163 |
| Property and equipment, net | 2,568,461 | 1,002,535 | - | 3,570,996 |
| Investment in St. Andrew's Court, L.P. | 579,905 | - | (579,905) | - |
| | $ 5,680,373 | $ 2,157,935 | $ (586,503) | $ 7,251,805 |
| **Liabilities and Net Assets** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 8,386 | $ 6,740 | $ (6,598) | $ 8,528 |
| Accrued vacation | 75,113 | 19,546 | - | 94,659 |
| Accrued wages | 62,966 | 10,822 | - | 73,788 |
| Capital lease obligation | 19,846 | 1,898 | - | 21,744 |
| Loans payable | 272,414 | 1,519,738 | - | 1,792,152 |
| Other liabilities | 6,633 | 19,286 | - | 25,919 |
| | 445,358 | 1,578,030 | (6,598) | 2,016,790 |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Operating | 1,251,395 | 508,222 | (508,222) | 1,251,395 |
| Invested in capital assets | 2,347,884 | 71,683 | (71,683) | 2,347,884 |
| Board designated fund | 1,347,707 | - | - | 1,347,707 |
| | 4,946,986 | 579,905 | (579,905) | 4,946,986 |
| With donor restrictions | 288,029 | - | - | 288,029 |
| | 5,235,015 | 579,905 | (579,905) | 5,235,015 |
| | $ 5,680,373 | $ 2,157,935 | $ (586,503) | $ 7,251,805 |

**St. Leonard's Ministries**

**Consolidating Statement of Activities**
**Year Ended June 30, 2020**

| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Eliminations | Total |
|---|---|---|---|---|
| Revenue and support: | | | | |
| Contributions and donations | $ 401,152 | $ - | $ - | $ 401,152 |
| Foundation grants | 702,259 | - | - | 702,259 |
| Allocation from United Way/Crusade of Mercy, Inc. | 30,340 | - | - | 30,340 |
| Fees and grants from governmental agencies | 1,615,886 | - | - | 1,615,886 |
| Investment income | 35,901 | 12,384 | - | 48,285 |
| Interest income | - | 6,054 | - | 6,054 |
| Management fees | 65,932 | - | (65,932) | - |
| Tenant rental income | - | 62,475 | - | 62,475 |
| Rent subsidy | - | 493,851 | - | 493,851 |
| Other income | 24,017 | 7,764 | - | 31,781 |
| Loss from St. Andrew's Court, L.P. | (17,123) | - | 17,123 | - |
| | 2,858,364 | 582,528 | (48,809) | 3,392,083 |
| Expenses: | | | | |
| Program services | 2,042,406 | 533,719 | - | 2,576,125 |
| Management and general | 590,998 | 65,932 | (65,932) | 590,998 |
| Fundraising | 171,214 | - | - | 171,214 |
| | 2,804,618 | 599,651 | (65,932) | 3,338,337 |
| **Increase (decrease) in net assets** | 53,746 | (17,123) | 17,123 | 53,746 |
| Net assets: | | | | |
| Beginning of year | 5,235,015 | 579,905 | (579,905) | 5,235,015 |
| End of year | $ 5,288,761 | $ 562,782 | $ (562,782) | $ 5,288,761 |

**St. Leonard's Ministries**

**Consolidating Statement of Activities**
**Year Ended June 30, 2019**

| | St. Leonard's Ministries | St. Andrew's Court, L.P. | Eliminations | Total |
|---|---|---|---|---|
| Revenue and support: | | | | |
| Contributions and donations | $ 332,858 | $ - | $ - | $ 332,858 |
| Foundation grants | 597,187 | - | - | 597,187 |
| Allocation from United Way/Crusade of Mercy, Inc. | 37,000 | - | - | 37,000 |
| Fees and grants from governmental agencies | 1,536,557 | - | - | 1,536,557 |
| Special events revenue | 29,959 | - | - | 29,959 |
| Investment income | 2,383 | 301 | - | 2,684 |
| Interest income | 17,084 | 17,557 | - | 34,641 |
| Management fees | 53,330 | - | (53,330) | - |
| Tenant rental income | - | 62,131 | - | 62,131 |
| Rent subsidy | - | 471,318 | - | 471,318 |
| Other income | 58,433 | 27,806 | - | 86,239 |
| Loss from St. Andrew's Court, L.P. | (6,532) | - | 6,532 | - |
| | 2,658,259 | 579,113 | (46,798) | 3,190,574 |
| Expenses: | | | | |
| Program services | 1,920,436 | 532,315 | - | 2,452,751 |
| Management and general | 563,417 | 53,330 | (53,330) | 563,417 |
| Fundraising | 131,542 | - | - | 131,542 |
| | 2,615,395 | 585,645 | (53,330) | 3,147,710 |
| **Increase (decrease) in net assets** | 42,864 | (6,532) | 6,532 | 42,864 |
| Net assets: | | | | |
| Beginning of year | 5,192,151 | 586,437 | (586,437) | 5,192,151 |
| End of year | $ 5,235,015 | $ 579,905 | $ (579,905) | $ 5,235,015 |