

Sojourner Project, Inc.

Financial Statements with
Independent Auditor's Report

December 31, 2022

Sojourner Project, Inc.
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sojourner Project, Inc.

Opinion

We have audited the accompanying financial statements of Sojourner Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sojourner Project, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sojourner Project, Inc. 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 Sojourner Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sojourner Project, Inc.'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 Sojourner Project, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Sojourner Project, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schutz CPA, Ltd.

March 15, 2023

Sojourner Project, Inc.
Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Assets		
<u>Current Assets</u>		
Cash	\$ 869,289	\$ 929,307
Accounts Receivable	90,535	163,131
Prepaid Expenses	6,499	19,910
Total Current Assets	966,323	1,112,348
<u>Property and Equipment</u>		
Land	286,891	286,891
Building	2,551,241	2,551,241
Building Improvements	120,688	120,688
Furniture and Equipment	321,094	310,298
Total Property and Equipment	3,279,914	3,269,118
Accumulated Depreciation	(1,625,561)	(1,513,121)
Net Property and Equipment	1,654,353	1,755,997
<u>Other Assets</u>		
Investments	808,403	876,886
Total Assets	\$ 3,429,079	\$ 3,745,231
Liabilities		
<u>Current</u>		
Accounts Payable	6,872	4,624
Accrued Payroll	15,146	16,910
Accrued PTO	14,554	11,544
Current Portion of Notes Payable	40,000	397,182
Total Current Liabilities	76,572	430,260
<u>Long-Term Debt</u>		
Notes Payable - Net of Current Portion		174,349
Total Liabilities	76,572	604,609
Net Assets		
Net Assets Without Donor Restrictions	3,335,888	3,063,122
Net Assets With Donor Restrictions	16,619	77,500
Total Net Assets	3,352,507	3,140,622
Total Liabilities and Net Assets	\$ 3,429,079	\$ 3,745,231

Sojourner Project, Inc
Statement of Activities
Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Support and Revenue				
Grants and Contributions	\$ 361,287	\$ 20,019	\$ 381,306	\$ 560,710
Grants from Governmental Agencies	861,316		861,316	861,970
Other Income	152		152	221
In Kind Supplies	33,880		33,880	31,950
In Kind Forgiveness of Debt	311,695		311,695	106,500
Investment Income (Loss)	(67,814)		(67,814)	35,075
Released from Restrictions	80,900	(80,900)		
Total Support and Revenue	<u>1,581,416</u>	<u>(60,881)</u>	<u>1,520,535</u>	<u>1,596,426</u>
Expenses				
<u>Program Expenses</u>				
Shelter	681,424		681,424	719,670
Legal Advocacy	107,939		107,939	159,825
Intervention Advocacy	187,580		187,580	153,140
Education and Outreach	17,263		17,263	62,102
Total Program Expenses	<u>994,206</u>		<u>994,206</u>	<u>1,094,737</u>
<u>Support Service Expenses</u>				
Management and General	285,274		285,274	129,015
Fund Raising	29,170		29,170	35,868
Total Support Service Expenses	<u>314,444</u>		<u>314,444</u>	<u>164,883</u>
Total Expenses	<u>1,308,650</u>		<u>1,308,650</u>	<u>1,259,620</u>
Change in Net Assets	<u>272,766</u>	<u>(60,881)</u>	<u>211,885</u>	<u>336,806</u>
Net Assets - Beginning of Year	3,063,122	77,500	3,140,622	2,803,816
Net Assets - End of Year	<u><u>\$ 3,335,888</u></u>	<u><u>\$ 16,619</u></u>	<u><u>\$ 3,352,507</u></u>	<u><u>\$ 3,140,622</u></u>

Sojourner Project, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022							2021 Total	
	Community Legal Advocacy Dept.				Total				
	Shelter	Legal Advocacy	Intervention Advocacy	Education and Outreach	Program Services	Management and General	Fund Raising		Total
Client Assistance	\$ 64,987	\$ 390	\$ 41,407	\$ 82	\$ 106,866			\$ 106,866	\$ 92,567
Depreciation	68,790	9,904	13,936	9,904	102,534	\$ 9,904		112,438	104,474
Dues, Subscriptions and Licenses	1,571	41	454	20	2,086	3,379	\$ 20	5,485	6,081
Employee Benefits	36,045	16,113	1,938	13	54,109	18,486	5	72,600	44,425
Equipment Rental	3,817	477	477	106	4,877	356	106	5,339	6,095
Insurance	19,161	2,755	2,755	612	25,283		612	25,895	33,921
Interest						13,173		13,173	12,193
Other	284	38	160	462	944	3,565	44	4,553	941
Payroll Tax Expense	29,036	4,892	8,127	206	42,261	13,213	1,767	57,241	57,365
Postage and Delivery	150	18	18	4	190	981	4	1,175	1,568
Printing and Duplicating	715	89	89	620	1,513	1,670	20	3,203	2,194
Professional Fees and Contracts	1,022				1,022	17,547		18,569	21,459
Repair and Maintenance	36,926	3,070	3,255	770	44,021	2,613	751	47,385	44,992
Salaries	387,209	65,243	108,371	2,752	563,575	181,539	23,557	768,671	774,014
Supplies and Office Expense	2,138	334	288	53	2,813	3,565	53	6,431	11,226
Technology	1,543	1,080	843	426	3,892	11,517	779	16,188	13,217
Telephone and Internet	8,220	1,028	1,028	228	10,504	385	228	11,117	9,768
Training and Conferences	195	150			345	202	333	880	879
Travel and Auto	969	51	2,168	114	3,302	1,669		4,971	1,604
Utilities	18,646	2,266	2,266	891	24,069	1,510	891	26,470	20,637
Total Expenses	\$ 681,424	\$ 107,939	\$ 187,580	\$ 17,263	\$ 994,206	\$ 285,274	\$ 29,170	\$ 1,308,650	\$ 1,259,620

See accompanying notes to financial statements.

Sojourner Project, Inc.
Statement of Cash Flows
Years Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash Flows from (to) Operating Activities		
Change in Net Assets	\$ 211,885	\$ 336,806
Adjustments to Reconcile:		
Depreciation	112,438	104,474
In Kind Loan Forgiveness	(311,695)	(107,772)
Loan Cost Amortization	4,767	1,272
Realized and Unrealized (Gain) Loss on Investments	68,483	(12,976)
(Increase) Decrease in Accounts Receivable	72,596	(15,175)
(Increase) Decrease in Prepaid Expenses	13,411	(11,969)
Increase in Accounts Payable	2,248	2,026
Increase (Decrease) in Accrued Expenses	1,248	(2,206)
Net Cash from Operating Activities	175,381	294,480
Cash Flows (to) Investing Activities		
Purchase of Property and Equipment	(10,796)	(39,163)
Purchase of Investments		(102,012)
Net Cash (to) Investing Activities	(10,796)	(141,175)
Cash Flows from (to) Financing Activities		
Payments of Long-Term Debt	(224,603)	(116,538)
Net Increase in Cash	(60,018)	36,767
Cash, Beginning of Year	929,307	892,540
Cash, End of Year	\$ 869,289	\$ 929,307
Supplemental Disclosures		
Cash Paid for Interest	\$ 11,937	\$ 10,863

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2022

Note 1: Nature of the Organization

Sojourner Project, Inc. (the Organization) is organized for charitable, civic community welfare, education and intervention purposes. The programs of the Organization provide emergency and long-term help to persons affected by violence in the home. The Organization provides these services from facilities located in the western suburbs of Minneapolis, Minnesota. A facility was completed and placed in service in October 2002, for program activities and administrative offices. Sojourner currently provides the following programs and services:

- **A 24/7 Crisis/Help Line** receives calls for immediate assistance
- **Sojourner Shelter** is an emergency housing facility for women and children from throughout the Twin Cities and the state who are unsafe in their homes.
- **Community Legal Advocacy Program** is a non-residential program that offers legal advocate and other support services to victims of domestic violence. They assist victims in criminal, family, and civil court matters.
- **Community Outreach, Education, and Training** develops and presents information to raise awareness and understanding of domestic violence, promote prevention, and provide training to improve law enforcement and other professional responses.
- **Sojourner's Volunteer Program** promotes community involvement through contributed service as well as in-kind donations.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Prior Year Summarized Comparative Financial Information: The December 31, 2021 financial statements are presented as summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021.

Cash: The Organization holds cash at financial institutions.

Accounts Receivable: The Organization's accounts receivable consists mostly of government grants for reimbursement of expenses and donations that were effectively received in the current year but not received until the following year. Management believes that accounts receivable are fully collectible and that no allowance for uncollectible accounts is considered necessary.

Property and Equipment: The Organization capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at the estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to forty years.

Investments: Investments are reported at cost, if purchased, or at fair value if donated. Thereafter, investments are reported at their fair value in the statement of financial position, and changes in fair value are reported as investment income in the statement of activities.

Estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2022

Note 2: Summary of Significant Accounting Policies (Continued)

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

Net Assets Without Donor Restrictions: Net assets which are not limited by donor-imposed stipulations.

Net Assets With Donor Restrictions: Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or passage of time or are required by donor-stipulations that they be maintained by the Organization, that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization.

Revenue and Revenue Recognition: 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 met.

A portion of the Organization's revenue is derived from cost-reimbursable state and county contracts and grants, which are conditioned upon certain performance requirements and 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 statement of financial position. The Organization was awarded cost-reimbursable grants of \$682,591 for future periods that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred.

Special event revenue is recorded equal to the fair value of direct benefits to the donors and contributions income for the excess received when the event takes place.

Contributed Services and Supplies: Contributed services are recognized for those services that improve or enhance property and equipment or for those that require specialized skills. In addition, volunteers donate many hours of service for which no value has been assigned and have not been recognized in the financial statements because they do not meet the recognition criteria as established by accounting standards. Donated supplies are valued at estimated fair market value at the date of donation.

In-Kind forgiveness of debt is recognized in accordance with provisions from the lender and are described in Note 5.

Functional Allocation of Expenses: The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services based on time and effort and usage of facilities and equipment.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Recent Accounting Guidance: During the year ending December 31, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements.

Sojourner Project, Inc.
Notes to Financial Statement
December 31, 2022

Note 2: Summary of Significant Accounting Policies (Continued)

The Organization also adopted Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*. The objective of the new standard is to increase transparency and comparability in financial reporting by requiring recognition of lease obligations in the statement of financial position and related disclosures. The Organization has three leases for office equipment which also include maintenance and supplies for that equipment. Actual equipment lease expense is minimal and as such is included in the statement of activities as an expense rather than reflected as a future obligation and right to use asset on the statement of financial position.

Note 3: Investments

The following schedule summarizes investment returns and their classification in the statement of activities for the years ended:

	2022	2021
Interest & Dividends on Investments	\$28,399	\$25,869
Unrealized Gains	(92,075)	12,976
Expenses and Fees	(4,138)	(3,856)
Total Net Investment Income	\$(67,814)	\$34,989

Investments are held for future use and are not considered current assets.

Note 4: Fair Market Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level I inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level II inputs generally are based on indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active. Level III inputs, which are the most subjective, are generally based on the Organization's own assumptions on how knowledgeable parties would price assets and are developed using the best information available in the circumstances. Level III inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of investments. The Organization measures fair value using Level I inputs available for all of its investments. Level II and Level III inputs are only used when Level I inputs are not available.

	Quoted Prices in Active Markets (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)	2022 Total
2022				
<u>Investments</u>				<u>\$ 17,303</u>
Sweep Options	\$ 17,303			
Mutual Investment				
Equity Funds	217,630			217,630
Stock	28,126			28,126
Fixed Income				
Corporate Bonds	<u>545,344</u>			<u>545,344</u>
Total Investments	<u>\$808,403</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$808,403</u>
2021				
<u>Investments</u>				<u>\$ 11,248</u>
Sweep Options	\$ 11,248			
Mutual Investment				
Equity Funds	251,723			251,723
Stock	35,158			35,158
Fixed Income				
Corporate Bonds	<u>578,757</u>			<u>578,757</u>
Total Investments	<u>\$876,886</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$876,886</u>

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2022

Note 5: Notes Payable

Long-term debt during 2022 consisted of the following:

Note payable to Minnesota Housing Finance Agency with forgiveness granted 10% each year for years 11 through 20 provided the facility continue being used as a shelter. The total amount will be forgiven March 20, 2023 provided the Organization continues to follow the provisions described in the loan agreement. The note is secured by the property of the Organization.

\$40,000

Note payable to Hennepin County Housing and Redevelopment Authority incurred in conjunction with construction of the facility with no interest payments and to be forgiven in October 2021 provided the Organization continues to utilize the facility through the maturity date. The note was secured by the property of the Organization. At December 31, 2021, the Organization had not yet been awarded forgiveness. During 2022 the Organization applied for and was granted full forgiveness.

Total Notes Payable, Current

\$ 40,000

In 2020, the Organization renewed the note payable to the bank. With the refinance, \$6,359 of loan origination fees were incurred. The annual amortization amount was \$1,272 and the remaining amount was expensed as interest when the note was paid in full.

The approximate future maturities of long-term debt is the amount subject to forgiveness of \$40,000 on March 20, 2023.

Note 6: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of grants and contributions designated for program costs and for future periods. At December 31, 2022, the Organization had \$4,869 restricted by a donor to be used for landscape and outdoor improvements and \$11,750 restricted for use in 2022.

Net assets with donor restrictions consist of grants and contributions designated for program costs and for future periods. At December 31, 2021, the Organization had \$77,500 restricted by donors to be used in 2022.

Note 7: 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:

	2022	2021
Cash	\$ 869,289	\$ 929,307
Accounts Receivable	90,535	163,131
Investments	808,403	876,886
Total Financial Assets	1,768,227	1,969,324
Less Donor Restricted	(16,619)	(77,500)
Available Financial Assets	\$1,751,608	\$1,891,824

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets, the Organization has investments at December 31, 2022, and 2021 of \$808,403, and \$876,886, respectively. The Organization's intention is to not utilize these investments for general expenditures.

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2022

Note 8: Financial Instruments and Credit Risk

The Organization maintains cash balances with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, such accounts may be in excess of the FDIC limit. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant credit risks related to cash and cash equivalents.

Note 9: Donated Goods

The Organization received donated goods which include household items and supplies, food, clothing, personal care items, and gifts for women and children participating in the programs. Donated amounts are recorded in financial statements as unrestricted support by the Organization at the estimated fair value on the date of donation based on the estimated cost to purchase similar items. The value of items will vary year-to-year based on the mix of items donated. As part of determining the price, the Organization analyzes and reviews the results to determine the accuracy and understand the key components of the valuations and the year-to-year changes.

Note 10: Commitments

The Organization has various office equipment leases which require monthly payments.

Note 11: Retirement Plan

The Organization has a salary reduction retirement plan which is qualified under Section 403(b) of the Internal Revenue Code. All employees of the Organization are eligible to participate in the Plan. No contributions were made to the Plan by the Organization for the years ended December 31, 2022 and 2021.

Note 12: Concentrations

The Organization is supported primarily by local donor contributions and grants from governmental units and foundations. Changes in funding sources could have a significant impact on the Organization.

Note 13: Evaluation of Subsequent Events

The Organization has evaluated subsequent events through March 15, 2023, which was the date the financial statements were available to be issued.