

Sojourner Project, Inc.

Financial Statements with
Independent Auditor's Report

December 31, 2020

Sojourner Project, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sojourner Project, Inc.

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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 Sojourner Project, Inc. as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Sojourner Project, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schutz CPA, Ltd.

March 6, 2021

Sojourner Project, Inc.
Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
<u>Current Assets</u>		
Cash	\$ 892,540	\$ 712,982
Accounts Receivable	147,956	91,605
Prepaid Expenses	7,941	12,214
Total Current Assets	1,048,437	816,801
<u>Property and Equipment</u>		
Land	286,891	286,891
Building	2,551,241	2,551,241
Building Improvements	122,688	117,951
Furniture and Equipment	276,159	256,536
Total Property and Equipment	3,236,979	3,212,619
Accumulated Depreciation	(1,415,671)	(1,325,670)
Net Property and Equipment	1,821,308	1,886,949
<u>Other Assets</u>		
Investments	761,898	725,525
Total Assets	\$ 3,631,643	\$ 3,429,275
Liabilities		
<u>Current</u>		
Accounts Payable	6,212	7,728
Accrued Payroll	11,502	44,486
Accrued PTO	15,106	14,760
Current Portion of Notes Payable	486,294	358,282
Total Current Liabilities	519,114	425,256
<u>Long-Term Debt</u>		
Notes Payable - Net of Current Portion	308,713	365,695
Total Liabilities	827,827	790,951
Net Assets		
Net Assets Without Donor Restrictions	2,772,329	2,615,574
Net Assets With Donor Restrictions	31,487	22,750
Total Net Assets	2,803,816	2,638,324
Total Liabilities and Net Assets	\$ 3,631,643	\$ 3,429,275

Sojourner Project, Inc
Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	Total
Support and Revenue				
Grants and Contributions	\$ 319,631	\$ 21,384	\$ 341,015	\$ 237,737
Grants from Governmental Agencies	928,672	33,901	962,573	1,000,855
Other Income	2,246		2,246	6,000
Interest Income	1,433		1,433	1,129
In Kind Contribution	21,500		21,500	24,500
In Kind Forgiveness of Debt	32,000		32,000	32,000
Investment Income	36,372		36,372	58,346
(Loss) on Disposal of Fixed Assets				(60,000)
Released from Restrictions	46,548	(46,548)		
Total Support and Revenue	<u>1,388,402</u>	<u>8,737</u>	<u>1,397,139</u>	<u>1,300,567</u>
Expenses				
<u>Program Expenses</u>				
Shelter	715,527		715,527	701,444
Legal Advocacy	160,327		160,327	158,944
Intervention Advocacy	157,664		157,664	156,916
Education and Outreach	65,429		65,429	65,069
Total Program Expenses	<u>1,098,947</u>		<u>1,098,947</u>	<u>1,082,373</u>
<u>Support Service Expenses</u>				
Management and General	95,203		95,203	98,668
Fund Raising	37,497		37,497	35,381
Total Support Service Expenses	<u>132,700</u>		<u>132,700</u>	<u>134,049</u>
Total Expenses	<u>1,231,647</u>		<u>1,231,647</u>	<u>1,216,422</u>
Change in Net Assets	<u>156,755</u>	<u>8,737</u>	<u>165,492</u>	<u>84,145</u>
Net Assets - Beginning of Year	2,615,574	22,750	2,638,324	2,554,179
Net Assets - End of Year	<u><u>\$ 2,772,329</u></u>	<u><u>\$ 31,487</u></u>	<u><u>\$ 2,803,816</u></u>	<u><u>\$ 2,638,324</u></u>

Sojourner Project, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020							2019 Total	
	Community Legal Advocacy Dept.			Total		Fund Raising	Total		
	Shelter	Legal Advocacy	Intervention Advocacy	Education and Outreach	Program Services				Management and General
Board Expenses						\$ 126	\$ 126	\$ 768	
Client Assistance	\$ 23,585	\$ 471	\$ 33,920		\$ 57,976		57,976	62,338	
Depreciation	61,675	9,695	9,695	\$ 9,695	90,760	16,588	107,348	94,931	
Dues, Subscriptions and Licenses	3,887	355	434	118	4,794	682	\$ 202	5,678	7,138
Employee Benefits	32,917	8,927	6,137	3,347	51,328	2,232	2,232	55,792	41,832
Equipment Rental	4,361	545	545	121	5,572	363	121	6,056	6,669
House - Food and Supplies	30,285		5,915		36,200			36,200	37,771
Insurance	22,113	2,764	2,764	615	28,256	2,765	614	31,635	31,245
Interest						11,012		11,012	16,481
Other	93	41			134	1,165		1,299	1,114
Payroll Tax Expense	33,185	8,999	6,187	3,375	51,746	2,250	2,250	56,246	52,558
Postage and Delivery		53	69	36	158	678	42	878	1,597
Printing and Duplicating	1,764	279	586	785	3,414	186	56	3,656	2,359
Professional Fees and Contracts	4,300	648	648	144	5,740	12,278		18,018	15,499
Repair and Maintenance	26,398	2,848	2,848	669	32,763	2,145	656	35,564	46,077
Salaries	443,614	120,302	82,708	45,113	691,737	30,076	30,076	751,889	723,584
Supplies and Office Expense	3,603	366	483	192	4,644	6,031	320	10,995	28,995
Technology	2,840	374	374	92	3,680	3,122	92	6,894	5,577
Telephone	6,501	812	812	180	8,305	288	180	8,773	9,072
Training and Conferences	633		250	90	973	1,938		2,911	1,943
Travel and Auto	583	1,540	2,013	167	4,303	288		4,591	7,470
Utilities	13,190	1,308	1,276	690	16,464	990	656	18,110	21,404
Total Expenses	\$ 715,527	\$ 160,327	\$ 157,664	\$ 65,429	\$ 1,098,947	\$ 95,203	\$ 37,497	\$ 1,231,647	\$ 1,216,422

Sojourner Project, Inc.
Statement of Cash Flows
Years Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash Flows from (to) Operating Activities		
Change in Net Assets	\$ 165,492	\$ 84,145
Adjustments to Reconcile:		
Depreciation	107,348	94,931
In Kind Loan Forgiveness	(32,000)	(32,000)
Unrealized (Gain) Loss on Investments	(21,074)	(40,985)
Loss on Fixed Asset Disposal		60,000
(Increase) Decrease in Accounts Receivable	(56,351)	10,641
(Increase) Decrease in Prepaid Expenses	4,273	119
Increase (Decrease) in Accounts Payable	(1,516)	7,728
Increase in Accrued Expenses	(32,638)	16,537
Net Cash from Operating Activities	133,534	201,116
Cash Flows (to) Investing Activities		
Purchase of Property and Equipment	(41,706)	(78,093)
Purchase of Investments	(15,299)	(17,360)
Net Cash (to) Investing Activities	(57,005)	(95,453)
Cash Flows (to) Financing Activities		
Payments of Long-Term Debt	(53,471)	(48,330)
Proceeds from Notes Payable	156,500	
Net Cash (to) Financing Activities	103,029	(48,330)
Net Increase in Cash	179,558	57,333
Cash, Beginning of Year	712,982	655,649
Cash, End of Year	\$ 892,540	\$ 712,982
Supplemental Disclosures		
Cash Paid for Interest	\$ 11,468	\$ 16,459

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2020

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, 2019 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, 2019.

Cash: The Organization holds cash at financial institutions.

Accounts Receivable: The Organization's accounts receivable consists mostly of government grants for reimbursement of expenses. 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, prior to 2020, the amount was over \$300. 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.

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2020

Note 2: Summary of Significant Accounting Policies (Continued)

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.

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 the 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 \$659,337 for future periods that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this new standard did not result in a material impact to the Organization's financial statements.

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.

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2020

Note 2: Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Note 3: Investments

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

	2020	2019
Interest & Dividends on Investments	\$18,936	\$20,841
Unrealized Gains (Losses)	21,074	40,985
Expenses and Fees	(3,638)	(3,480)
Total Net Investment Income	\$36,372	\$58,346

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. As shown above, 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)	2020 Total
2020 <u>Investments</u>				
Sweep Options	\$ 14,347			\$ 14,347
Mutual Investment Equity Funds	213,678			213,678
Fixed Income Corporate Bonds	<u>533,873</u>			<u>533,873</u>
Total Investments	<u>\$761,898</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$761,898</u>

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2020

Note 4: Fair Market Value Measurements (Continued)

2019	Quoted Prices in Active	Significant Other Observable	Significant Other Unobservable	2019 Total
<u>Investments</u>	<u>Markets (Level I)</u>	<u>Inputs (Level II)</u>	<u>Inputs (Level III)</u>	
Sweep Options	\$ 6,799			\$ 6,799
Mutual Investment				
Equity Funds	197,395			197,395
Fixed Income				
Corporate Bonds	<u>521,331</u>			<u>521,331</u>
Total Investments	<u>\$725,525</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$725,525</u>

Note 5: Notes Payable

Long-term debt consists of the following at December 31, 2020:

Note payable to a bank, refinanced September 2020. The note is payable in monthly installments of \$5,433 including interest at 4.25%, and matures on September 16, 2025. The note is secured by the current and future property of the Organization.

\$ 278,853

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. If the facility is sold prior to the maturity date of the note, the County is entitled to share the sales proceeds. The note is secured by the property of the Organization.

301,695

Note payable to Minnesota Housing Finance Agency with no interest payments and is being forgiven \$32,000 per year with the total amount forgiven in 2022 provided the Organization continues to follow the provisions described in the loan agreement. The note is secured by the property of the Organization.

64,000

SBA Paycheck Protection Program Loan – see below for details, terms and amounts have not been determined.

156,500

Total Notes Payable

801,048

Less Loan origination fee (net of accumulated amortization) on the mortgage is being amortized on the straight-line basis over the five-year term of the loan

6,041

Less Current Portion

486,294

Long-Term Debt, Net of Current Portion

\$ 308,713

As it does every five years, the Organization renewed the note payable to the bank. The new terms are detailed above. With the refinance \$6,359 of loan origination fees were incurred. The current year amortization amount was \$318 with the net amount at December 31, 2020 of \$6,041. Amortization expenses in being recognized in the statement of activities as interest expense.

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2020

Note 5: Notes Payable (Continued)

On April 20, 2020, the Company received loan proceeds in the amount of \$156,500 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” (eight or 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 was to 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 10 months after then end of the covered period.

The Company has used \$99,469 of the PPP loan proceeds for purposes consistent with the PPP and has applied for forgiveness in that amount. Payback of the difference will be established once the forgiveness has been approved. The Company has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020. The expected amount of the loan forgiveness is classified as a current liability.

The approximate future maturities of long-debt, including amounts subject to forgiveness, but not including loan origination fees being amortized, are as follows:

December 31,	
2021	\$487,565
2022	117,274
2023	87,734
2024	61,875
2025	46,690

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, 2020, the Organization had \$27,737 restricted by donors for technology, facility improvements, and shelter needs and received \$3,750 restricted by a donor to be used in 2021.

At December 31, 2019, the Organization had \$2,750 restricted by donors for program costs and capital improvements and \$20,000 restricted by a donor to be used in 2020.

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:

Cash	\$ 892,540
Accounts Receivable	147,956
Investments	761,898
Available Financial Assets	<u>\$1,802,394</u>

Investments are shown as financial assets available for general expenditure at December 31, 2020 but it is the Organization’s intention to not utilize these investments for general expenditures.

Sojourner Project, Inc.
Notes to Financial Statements
December 31, 2020

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: Commitments

The Organization entered into an equipment lease for a copier in 2018. The lease requires 60 monthly lease payments of \$460 per month.

Note 10: 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, 2020 and 2019.

Note 11: 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 12: Evaluation of Subsequent Events

The Organization has evaluated subsequent events through March 6, 2021, which was the date the financial statements were available to be issued. Operations of the Company were affected by the recent and ongoing outbreak of COVID-19, which was declared a global pandemic by the World Health Organization in March 2020.

The extent of the future impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Company's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Company's financial position and income and cash flows is uncertain. The financial statements include no adjustments relating to the effects of this pandemic.