



Independent Auditor's Report

To the Board of Directors
Simpson Housing Services, Inc.
Minneapolis, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Simpson Housing Services, Inc. (Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Errors

As discussed in Note 16 to the consolidated financial statements, certain errors in the classification of net assets and restricted revenue as of June 30, 2021 and 2020, were discovered by management in the current year. Accordingly, amounts reported for net assets without donor restrictions and net assets with donor restrictions have been restated in the 2021 consolidated financial statements presented, and adjustments have been made to correct the error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2023, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
May 15, 2023

Simpson Housing Services, Inc.
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,795,654	\$ 2,687,545
Restricted cash - other	128,504	130,664
Restricted cash - escrow and reserves	20,895	87,234
Accounts receivable	12,047	5,461
Promises to give - current	357,584	397,227
Grants receivable	558,877	624,633
Prepaid expenses	48,570	255,231
Total current assets	<u>4,922,131</u>	<u>4,187,995</u>
Other Assets		
Investments	2,689,069	2,538,422
Certificates of deposit	211,405	208,749
Promises to Give	76,250	131,000
Total other assets	<u>2,976,724</u>	<u>2,878,171</u>
Property and Equipment, Net	<u>6,480,769</u>	<u>3,295,450</u>
Total assets	<u>\$ 14,379,624</u>	<u>\$ 10,361,616</u>

Simpson Housing Services, Inc.
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
Liabilities and Net Assets		
Current Liabilities		
Current portion of debt	\$ 1,071,871	\$ 813,389
Accounts payable		
Trade	101,619	14,333
Construction	780,490	-
Retainage payable	150,887	-
Accrued expenses	430,965	552,942
Agency liability	40,033	24,603
Total current liabilities	<u>2,575,865</u>	<u>1,405,267</u>
Long-Term Liabilities		
Debt, net of current portion	<u>2,774,156</u>	<u>1,946,737</u>
Total liabilities	<u>5,350,021</u>	<u>3,352,004</u>
Net Assets		
Without donor restrictions		
Undesignated	5,996,025	3,749,711
Board designated for building	-	715,000
Board designated for endowment	172,686	57,979
Total without donor restrictions	<u>6,168,711</u>	<u>4,522,690</u>
With donor restrictions	<u>2,860,892</u>	<u>2,486,922</u>
Total net assets	<u>9,029,603</u>	<u>7,009,612</u>
Total liabilities and net assets	<u>\$ 14,379,624</u>	<u>\$ 10,361,616</u>

Simpson Housing Services, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,979,476	2,765,390	\$ 4,744,866
In-kind contributions	379,566	-	379,566
Government contracts	6,187,717	-	6,187,717
Contract income	490,553	-	490,553
United Way	49,306	-	49,306
Rental income	250,653	-	250,653
Gross special event revenue	221,294	-	221,294
Less cost of direct benefits to donors	(58,679)	-	(58,679)
Net special events revenue	162,615	-	162,615
Other income	125,189	-	125,189
Net investment loss	(46,940)	-	(46,940)
Net assets released from restrictions	2,391,420	(2,391,420)	-
Total support and revenue	11,969,555	373,970	12,343,525
Expenses			
Program services			
Shelters	1,776,854	-	1,776,854
Family housing	3,801,722	-	3,801,722
Single services	2,893,592	-	2,893,592
Advocacy	59,307	-	59,307
Total program services	8,531,475	-	8,531,475
Support services			
Management and general	1,140,763	-	1,140,763
Fundraising	651,296	-	651,296
Total support services	1,792,059	-	1,792,059
Total operating expenses	10,323,534	-	10,323,534
Operating Income	1,646,021	373,970	2,019,991
Other Income			
In-kind contributions	43,714	-	43,714
In-kind expense	(43,714)	-	(43,714)
Total other income	-	-	-
Change in Net Assets	1,646,021	373,970	2,019,991
Net Assets, Beginning of Year	4,522,690	2,486,922	7,009,612
Net Assets, End of Year	\$ 6,168,711	\$ 2,860,892	\$ 9,029,603

Simpson Housing Services, Inc.
Consolidated Statement of Activities - Restated
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,774,022	\$ 928,406	\$ 2,702,428
In-kind contributions	161,721	-	161,721
Government contracts	6,618,736	-	6,618,736
Contract income	478,492	-	478,492
United Way	73,965	-	73,965
Rental income	402,172	-	402,172
Gross special event revenue	154,292	-	154,292
Less cost of direct benefits to donors	(58,319)	-	(58,319)
Net special events revenue	95,973	-	95,973
Other income	31,881	-	31,881
Gain on disposal of assets	212,127	-	212,127
Net investment return	5,150	-	5,150
Net assets released from restrictions	1,230,385	(1,230,385)	-
Total support and revenue	11,084,624	(301,979)	10,782,645
Expenses			
Program services			
Shelters	1,631,293	-	1,631,293
Family housing	3,953,554	-	3,953,554
Single services	3,141,555	-	3,141,555
Advocacy	55,975	-	55,975
Total program services	8,782,377	-	8,782,377
Support services			
Management and general	1,183,310	-	1,183,310
Fundraising	405,989	-	405,989
Total support services	1,589,299	-	1,589,299
Total operating expenses	10,371,676	-	10,371,676
Operating Income	712,948	(301,979)	410,969
Other Income			
In-kind contributions	134,417	-	134,417
In-kind expense	(134,417)	-	(134,417)
Paycheck Protection Program loan forgiveness income	859,900	-	859,900
Total other income	859,900	-	859,900
Change in Net Assets	1,572,848	(301,979)	1,270,869
Net Assets, Beginning of Year (as Restated)	2,949,842	2,788,901	5,738,743
Net Assets, End of Year (as Restated)	\$ 4,522,690	\$ 2,486,922	\$ 7,009,612

Simpson Housing Services, Inc.
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Support Services		Total Expenses
	Shelters	Family Housing	Single Services	Advocacy	Management and General	
Expenses						
Salaries	\$ 761,995	\$ 1,579,474	\$ 1,154,237	\$ 52,863	\$ 509,646	\$ 4,415,515
Employee benefits	80,552	206,936	150,751	1,881	70,502	558,345
Payroll taxes	52,397	108,412	81,490	3,975	33,508	305,633
Total salaries and related expenses	894,944	1,894,822	1,386,478	58,719	613,656	5,279,493
Rental assistance and housing support	275,503	1,312,809	1,302,324	-	-	2,890,636
Supplies	224,550	32,210	14,352	70	2,342	279,043
Interest	-	48,083	-	-	70,312	118,395
Transportation	333	18,154	12,213	-	954	31,768
Insurance	26,969	29,771	16,777	-	10,874	88,710
Professional fees	52,440	101,030	51,166	384	212,994	509,695
Office space	14,548	38,600	57,234	19	110,401	121,960
Telephone and utilities	84,923	42,876	14,434	-	52,685	197,497
Repairs and maintenance	39,723	61,867	2,299	-	4,345	108,264
Internet /Database	6,735	51,467	25,206	8	7,333	93,636
Property taxes	-	33,464	-	-	581	34,045
Program events	-	1,548	2,122	-	1,496	51,772
Printing and postage	512	2,512	713	6	18,315	25,200
Dues and subscriptions	2,634	1,756	4,854	-	36,803	81,576
Professional development	-	-	-	-	-	-
and recruitment	-	-	-	-	-	-
Bank charges	1,425	6,536	2,781	33	15,760	29,390
Special events	-	500	-	-	33,010	38,553
Miscellaneous	1,961	-	639	68	-	58,679
Total operating expenses excluding depreciation	1,627,200	3,700,349	2,893,592	59,307	1,111,599	10,102,022
Simpson Housing Services depreciation	149,654	-	-	-	29,164	178,818
Passage Community Housing depreciation	-	75,852	-	-	-	75,852
Simpson Properties LLC depreciation	-	25,521	-	-	-	25,521
Total depreciation	149,654	101,373	-	-	29,164	280,191

See Notes to Consolidated Financial Statements

Simpson Housing Services, Inc.
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Support Services		Total Expenses
	Shelters	Family Housing	Single Services	Advocacy	Management and General	
Less expenses included with revenues on the statement of activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,679)
Total operating expenses	1,776,854	3,801,722	2,893,592	59,307	1,140,763	10,323,534
Non-operating in-kind expense	-	-	-	-	43,714	43,714
Total expenses	\$ 1,776,854	\$ 3,801,722	\$ 2,893,592	\$ 59,307	\$ 1,184,477	\$ 10,367,248

See Notes to Consolidated Financial Statements

Simpson Housing Services, Inc.
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Support Services		Total
	Shelters	Family Housing	Single Services	Advocacy	Management and General	Fundraising	Total Expenses
Salaries	\$ 970,567	\$ 1,557,121	\$ 1,046,455	\$ 34,777	\$ 517,090	\$ 284,742	\$ 4,410,752
Employee benefits	60,868	203,926	162,906	1,656	65,826	18,031	513,213
Payroll taxes	57,949	107,915	66,939	2,532	29,326	20,418	285,079
Total salaries and related expenses	1,089,384	1,868,962	1,276,300	38,965	612,242	323,191	5,209,044
Rental assistance and housing support	324,886	1,413,587	1,640,305	-	-	-	3,378,778
Supplies	57,691	44,657	10,062	93	7,764	1,520	121,787
Interest	-	152,483	-	-	66,212	-	218,695
Transportation	42	13,830	8,334	-	6,221	348	28,775
Insurance	27,145	27,813	14,711	-	5,669	2,314	77,652
Professional fees	15,413	67,107	47,095	1,494	307,316	54,258	492,683
Office space	21,136	37,610	56,327	-	14,590	72	129,735
Telephone and utilities	56,629	24,545	19,113	-	33,925	1,828	136,040
Repairs and maintenance	16,860	51,089	15,354	11	18,839	184	102,337
Program events	766	5,388	3,103	14,000	1,661	5,210	30,128
Printing and postage	3,094	10,354	9,008	33	4,426	15,357	42,272
Dues and subscriptions	1,665	7,836	5,040	-	25,112	748	40,401
Professional development and recruitment	1,943	8,151	903	1,379	7,101	940	20,417
Bank charges	-	-	-	-	3,828	-	3,828
Special events	-	-	-	-	-	58,319	58,319
Miscellaneous	7,014	111,901	35,900	-	57,540	19	212,374
Total operating expenses excluding depreciation	1,623,668	3,845,313	3,141,555	55,975	1,172,446	464,308	10,303,265
Simpson Housing Services depreciation	7,625	-	-	-	10,864	-	18,489
Passage Community Housing depreciation	-	82,720	-	-	-	-	82,720
Simpson Properties LLC depreciation	-	25,521	-	-	-	-	25,521
	7,625	108,241	-	-	10,864	-	126,730

See Notes to Consolidated Financial Statements

Simpson Housing Services, Inc.
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Support Services		Total Support Services	Total Expenses
	Shelters	Family Housing	Single Services	Advocacy	Total Program Services	Management and General	Fundraising	
Less expenses included with revenues on the statement of activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,319)	\$ (58,319)
Total operating expenses	1,631,293	3,953,554	3,141,555	55,975	8,782,377	1,183,310	405,989	10,371,676
Non-operating in-kind expense	67,208	47,046	20,163	-	134,417	-	-	134,417
Total expenses	\$ 1,698,501	\$ 4,000,600	\$ 3,161,718	\$ 55,975	\$ 8,916,794	\$ 1,183,310	\$ 405,989	\$ 10,506,093

See Notes to Consolidated Financial Statements

Simpson Housing Services, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
Operating Activities		
Change in net assets	\$ 2,019,991	\$ 1,270,869
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	280,191	126,730
Net investment loss (return)	46,940	(5,150)
Contributions restricted to capital campaign	(2,765,390)	(925,906)
Paycheck Protection Program loan forgiveness income	-	(859,900)
Gain on disposal of property and equipment	-	(212,127)
Change in operating assets and liabilities		
Accounts receivable	(6,586)	1,640
Grants receivable	65,756	(108,098)
Prepaid expenses	206,661	(192,856)
Accounts payable	87,286	437
Accrued expenses	(121,977)	112,702
Agency liability	15,430	(4,578)
Net Cash used for Operating Activities	<u>(171,698)</u>	<u>(796,237)</u>
Investing Activities		
Change in promises to give	94,393	(87,627)
Purchase of property and equipment	(2,534,133)	(44,629)
Purchase of investments	(200,243)	(200,330)
Proceeds from sale of investments	-	200,329
Proceeds from sale of property and equipment	-	614,711
Net Cash from (used for) Investing Activities	<u>(2,639,983)</u>	<u>482,454</u>
Financing Activities		
Payments on notes payable	(45,616)	(62,780)
Proceeds from issuance of construction loan	1,131,517	-
Contributions restricted to capital campaign	2,765,390	925,906
Net Cash from Financing Activities	<u>3,851,291</u>	<u>863,126</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,039,610	549,343
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>2,905,443</u>	<u>2,356,100</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 3,945,053</u>	<u>\$ 2,905,443</u>

Simpson Housing Services, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
Cash and Cash Equivalents	\$ 3,795,654	\$ 2,687,545
Restricted Cash - Other	128,504	130,664
Restricted Cash - Escrow and Reserved	<u>20,895</u>	<u>87,234</u>
	<u>\$ 3,945,053</u>	<u>\$ 2,905,443</u>
Supplement Disclosure		
Cash paid for interest	<u>\$ 74,993</u>	<u>\$ 67,302</u>
Supplemental Disclosure of Noncash Investing and Operating Activity		
Construction and retainage payable	<u>\$ 931,377</u>	<u>\$ -</u>

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Simpson Housing Services, Inc. (the Organization) was incorporated on July 26, 1993, pursuant to the Minnesota Nonprofit Corporation Act. The Organization is dedicated to providing shelter and affordable housing with support services to homeless or imminently homeless families, men, women, and children, to assist them in their efforts to improve their life situation and to advocate for their human and civil rights. The mission is to house, support, and advocate for people experiencing homelessness. The Organization's program activities are:

Shelters

The Emergency Shelter provides shelter accommodations for up to 70 single individuals. Staff regularly meet with guests to work towards resolving housing barriers – connecting guests to resources to support ongoing stability, including a variety of housing assistance programs and supportive housing options, Veteran's services, and services to support stability in mental, chemical, and physical health.

Guests receive access to showers, laundry, toiletries, mail, and a savings program, as well as on-site mental health services, healthcare, and Veteran's services. Guests are provided three meals each day. The shelter has a savings program in which guests are encouraged to save money to apply toward more stable housing when they leave.

Family Housing

- Transitions – To provide up to two years of rental subsidy and case management services for 15 homeless families. Program emphasis is on locating permanent housing, continuing education, and employment.
- Passage Community Housing, LLC – An Organization-owned, 17-unit apartment building, providing transitional housing and case management to resident families. Program emphasis is on locating permanent housing, continuing education, and employment.
- Rapid Rehousing Program – To provide short-term rental assistance and case management services for 40 homeless families. Program emphasis is on maintaining permanent housing and employment.
- Cedar View, Youth Housing – A supportive housing project for homeless families with a youth parent. Parents must be between the ages of 18 and 24. Case management services are provided for ten families at an affordable housing project owned by Beacon Interfaith Housing Collaborative in South Minneapolis.
- Young Parent Program – To provide short-term rental assistance and case management services for 12 families. Parents must be between the ages of 18 and 24. Program emphasis is on locating permanent housing, continued education, and employment.
- Third Avenue Townhomes – A permanent supportive housing project for homeless families with a disabled family member. Case management services are provided for five families at a HUD rental certificate program Section 8 (Section 8) affordable housing project owned by Beacon Interfaith Housing Collaborative in South Minneapolis.
- Transitional Housing Program (THP) – To provide up to two years of rental subsidy and case management services for 13 homeless families. Program emphasis is on locating permanent housing, continuing education, and employment.

- Rental Assistance Program (RAP) – To provide long-term rental assistance and support services for 28 families. The program is designed to provide housing stability.
- Children and Youth Services – To provide educational support services designed to affect positive change in family dynamics and child educational success by providing parenting support, tutoring, mentoring, and direct children’s services.
- Riverside Plaza – A permanent supportive housing project for long-term homeless families. Case management services are provided for 15 families at a Section 8 affordable housing project owned by Sherman Associates in the West Bank neighborhood of Minneapolis.
- Elliot Park Apartments – A permanent supportive housing project for long-term homeless families. Case management services are provided for eight families at a Section 8 affordable housing project owned by Trellis in the Elliot Park neighborhood near downtown Minneapolis.
- Family Housing Support – A permanent supportive housing project for long-term homeless families with a disabled family member. Sixty families live in site-based and scattered-site housing in Hennepin, Anoka, and Carver Counties and are provided rental assistance and case management services.

Single Services

- Rapid Rehousing – To provide short-term rental assistance and case management services for single adults moving directly from shelter to stable housing. Program emphasis is on locating permanent housing and employment.
- Adult Shelter Connect (ASC) – Simpson Housing Services, in collaboration with the four other shelter providers serving single adults in Hennepin County, operate the Adult Shelter Connect office located at St. Olaf Church in Minneapolis. Single adults who are in need of emergency shelter visit Adult Shelter Connect for an assessment and placement with one of the Hennepin County shelters and referrals to other services. In 2021, we added a Diversion program at the ASC, which works to prevent homelessness by diverting potential shelter guests to other community options.
- Opportunity Housing Partnership (OHP) – A collaboration between Simpson Housing Services, Aeon, and Avivo. The partnership provides support to residents at Aeon’s OHP properties, the Lamoreaux, and the Continental. These two buildings provide 129 formerly homeless adults with a safe and permanent home and provides support services to help residents regain and maintain stability in their lives, homes, and community.
- Women’s Housing Partnership (WHP) – To provide 50 single adults with rental subsidy and case management needed to obtain and maintain permanent housing after experiencing long-term homelessness. The program includes intensive support services and weekly meetings with a case manager.
- 66 West, Youth Housing – A supportive housing project for youth, ages 16-24, transitioning out of homelessness. Case management services are provided for 39 youth at an affordable housing project owned by Beacon Interfaith Housing Collaborative in Edina. Program emphasis is on setting and working toward personal goals in education, employment, and wellness.

Advocacy

The focus of public policy advocacy activities at Simpson Housing is to support changes that serve the needs of the community we serve. Our program empowers staff, participants, and volunteers to speak to local, state, and federal officials about funding, housing, and economic equity legislation. We pay for staff time to organize events that promote public awareness, policy change, and initiatives of the Racial Justice Task Force.

Principles of Consolidation

The consolidated financial statements include the Organization's wholly owned subsidiary, Passage Community Housing, LLC, because Simpson Housing Services, Inc. has both control of and economic interest in Passage Community Housing, LLC as well as Simpson Properties, LLC, another Simpson Housing wholly owned subsidiary formed to handle the 160 Glenwood property and capital campaign funding and expenses. All material intercompany transactions have been eliminated. Unless otherwise noted, the consolidated entities are hereinafter referred to as the Organization.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Restricted cash – other is considered to be cash and cash equivalents.

Restricted Cash – Escrows and Reserves

Passage Community Housing, LLC has specific agreements which require the establishment of tax and insurance escrows, replacement reserves, residual receipts, and development cost escrows. Restricted cash related to these items is considered to be cash and cash equivalents.

Certificates of Deposit

Certificates of deposit include two certificates with an original maturity of twenty-four months, and as such, is reflected as a noncurrent asset.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment gain (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

Receivables and Credit Policies

Accounts receivable and grants receivable are stated at net realizable value. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. There was no allowance recorded at June 30, 2022 and 2021.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Most promises to give are current and due within one year (see Note 3). There was no allowance recorded at June 30, 2022 and 2021.

Property and Equipment

Property and equipment additions over \$1,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

Compensated Absences

Under the Organization's policies and procedures, employees are granted vacation leave based on the number of years of experience they have at the Organization. Employees may carryover a maximum of 120 hours of their earned paid time off (PTO) leave benefit. Unused accumulated PTO, up to 120 hours, is paid to employees upon termination.

In May of 2020, Simpson Housing Services made a temporary change to the current PTO policy to allow employees to carry over 200 hours of PTO rather than 120 for the fiscal year end June 30, 2020. This temporary policy change put into effect due to the COVID-19 Pandemic which affected many vacation plans. After July 1, 2020, staff with over 120 hours were required to take 40 hours of PTO by October 1, 2020, and 60 hours by February 1, 2021, or make a PTO plan with supervisors to ensure that each employee's balance is under 120 hours at June 20, 2021.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment and for the 160 Glenwood building.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Rent income from tenants and tenant assistance payments is recognized in the month in which it is earned.

In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 14).

The Organization's policy is to sell contributed assets immediately upon receipt unless the asset is restricted for use in a specific program by the donor.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated based on full time equivalents utilizing each facility and by function. Salaries, benefits, payroll taxes, and professional fees are classified by functional area. Additionally, interest, insurance, and miscellaneous, are allocated on the basis of full-time equivalents by functional area.

Income Taxes

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Passage Community Housing, LLC and Simpson Properties, LLC maintain exempt status under the Organizations exemption since the Organization is the sole member of Passage Community Housing, LLC and Simpson Properties, LLC. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Organization has determined it does not have any unrelated trade or business activities.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable, promises to give, and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and nonprofit organizations supportive of the Organization's mission.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2022 and 2021, the Organization had approximately \$3,240,000 and \$2,405,000, respectively, in excess of FDIC-insured limits.

Change in Accounting Policy

As of July 1, 2021, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosures around contributed nonfinancial assets.

Note 2 - Liquidity and Availability

The Organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets, less current liabilities at a minimum of 30 days operating expenses.

Financial assets available to meet cash needs for general expenditures within one year consist of the following:

- Assets without donor restrictions listed below.
- Contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations, expected to be released in the next 12 months.

	2022	2021
Assets without donor restrictions available within 12 months		
Cash and cash equivalents	\$ 3,795,654	\$ 2,687,545
Certificates of deposit	211,405	208,749
Accounts receivable, net	12,047	5,461
Grants receivable, net	558,877	624,633
	4,577,983	3,526,388
Assets with donor restrictions available within 12 months		
Contributions expected to be released	417,651	327,518
Investments	405,228	612,096
Total	<u>\$ 5,400,862</u>	<u>\$ 4,466,002</u>

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, certificates of deposit, and money market funds

Note 3 - Promises to Give

Unconditional promises to give are established to be collected as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amount due		
Within one year	\$ 357,584	\$ 397,227
In one to five years	<u>76,250</u>	<u>131,000</u>
Total	<u>\$ 433,834</u>	<u>\$ 528,227</u>

Note 4 - Investments

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles in the United States establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The Organization invests in mutual funds with readily determinable fair values based on daily redemption values which are classified within Level 1. The Organization invests in certificates of deposit (CDs) traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. Cash and money market funds are recorded at cost.

The following table present assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

		Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
<u>June 30, 2022</u>				
Investments				
Certificates of deposit	\$ 1,018,494	\$ -	\$ 1,018,494	\$ -
Mutual funds	<u>1,265,347</u>	<u>1,265,347</u>	<u>-</u>	<u>-</u>
	2,283,841	<u>\$ 1,265,347</u>	<u>\$ 1,018,494</u>	<u>\$ -</u>
Cash and money market funds (at cost)	<u>405,228</u>			
	<u>\$ 2,689,069</u>			
Certificates of deposit (at cost)	<u>\$ 211,405</u>			
<u>June 30, 2021</u>				
Investments				
Certificates of deposit	\$ 398,834	\$ -	\$ 398,834	\$ -
Mutual funds	<u>1,111,327</u>	<u>1,111,327</u>	<u>-</u>	<u>-</u>
U.S. Government obligations	<u>405,322</u>	<u>-</u>	<u>405,322</u>	<u>-</u>
	1,915,483	<u>\$ 1,111,327</u>	<u>\$ 804,156</u>	<u>\$ -</u>
Cash and money market funds (at cost)	<u>622,939</u>			
	<u>\$ 2,538,422</u>			
Certificates of deposit (at cost)	<u>\$ 208,749</u>			

Note 5 - Restricted Cash

Certain cash balances are restricted as of June 30, 2022 and 2021, for the following purposes:

	2022	2021
Transitional housing	\$ 106,263	\$ 106,253
Shelter guest savings	6,312	4,800
Security deposits (Passage)	15,929	19,611
Escrows and reserves (Passage)	20,895	87,234
	<u>\$ 149,399</u>	<u>\$ 217,898</u>

Real Estate Tax and Insurance Escrow

The Minnesota Housing Finance Agency (MHFA) mortgage agreement requires the establishment of a property tax and insurance escrow. These amounts are held by MHFA. Amounts consisted of \$16,801 and (\$10,062), respectively, as of June 30, 2022 and 2021, for the insurance escrow, and \$4,094 and \$4,767, respectively, as of June 30, 2022 and 2021, for the property tax insurance escrow.

Replacement Reserve

The MHFA mortgage agreement requires a certain amount to be set aside for maintenance work on the property. These amounts are held by MHFA. As of June 30, 2022 and 2021, the replacement reserve balance totaled \$0 and \$48,969, respectively.

Development Cost Escrow

The MHFA mortgage agreement requires a certain amount to be set aside in the event the Organization cannot meet debt service requirements. These amounts are held by MHFA. As of June 30, 2022 and 2021, the development cost escrow balance totaled \$0.

Residual Receipts

The MHFA mortgage agreement requires a certain amount to be set aside for excess cash payments made among other escrow and reserve accounts. These amounts are held by MHFA. As of June 30, 2022 and 2021, the residual receipts balance totaled \$0 and \$43,560, respectively.

Note 6 - Property and Equipment

Property and equipment as of June 30, 2022 and 2021, consists of the following:

	2022	2021
Land	\$ 1,678,795	\$ 1,678,795
Buildings	1,926,134	1,926,134
Vehicles	36,363	36,363
Building improvements	514,625	514,625
Furniture and equipment	259,698	101,628
Construction in progress	3,317,690	10,250
	<u>7,733,305</u>	<u>4,267,795</u>
Less accumulated depreciation	<u>(1,252,536)</u>	<u>(972,345)</u>
	<u>\$ 6,480,769</u>	<u>\$ 3,295,450</u>

Currently, the Organization is developing plans to transform a site into a new shelter facility with expanded services and the addition of 40 units of affordable, supportive housing. As part of these plans, the Organization has established a Comprehensive Campaign to raise the funds to support these building and service expansion plans, as well as offices and other strategic investments.

Note 7 - Notes and Mortgage Payable

The Organization has various debt agreements for interest-bearing and non-interest-bearing loans. The following schedule of debt reflects the balance of outstanding loans at June 30, 2022 and 2021:

	2022	2021
4.15% Mortgage note payable to Bremer Bank for land and building at 160 Glenwood. Due in monthly installments of \$9,250, which reflects a 25-year amortization period with a balloon payment of \$1,410,162 due June 29, 2027.	\$ 1,648,780	\$ 1,689,465
Variable rate note payable to Bremer Bank for construction of the 160 Glenwood building. The note accrues interest at 3% in excess of the "Change Rate Index" as defined (the interest rate will not be less than 3% per annum), due in annual installments of \$568,750 commencing September 2022, with interest due and payable monthly, due September 2025, secured by property.	1,133,517	-
0% Installment note payable to MHFA is due if units are not used for low income housing through September 2023. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2023. Secured by assets of Passage Community Housing, LLC. Lien Priority 2.	35,000	35,000

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	<u>2022</u>	<u>2021</u>
0% Installment note payable to City Finance Agency is due if units are not used for low income housing through September 2023. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2023. Secured by assets of Passage Community Housing, LLC. Lien Priority 3.	\$ 425,730	\$ 425,730
1% Installment note payable to City Finance Agency is due if units are not used for low income housing through July 2033. If the Organization is not in default of the loan through that date, the note is due in one lump sum, including interest, in July 2033. Secured by assets of Passage Community Housing, LLC. Lien Priority 4.	300,000	300,000
0% Installment note payable to MHFA is due if units are not used for low income housing through September 2023. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2023. Secured by assets of Passage Community Housing, LLC. Lien Priority 5.	148,500	148,500
0% Installment note payable to MHFA is due if units are not used for low income housing through September 2023. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2023. Secured by assets of Passage Community Housing, LLC. Lien Priority 6.	120,500	120,500
0% Installment note payable to Wells Fargo Bank Minnesota, NA is due if units are not used for low income housing through September 2023. If the Organization is not in default on the loan through that date, the note is due in one lump sum in September 2023. Secured by assets of Passage Community Housing, LLC. Lien Priority 7.	34,000	34,000
5% Mortgage note payable to Minnesota Housing Finance Agency (MHFA). Payable in monthly amounts of \$2,631, including interest, with the last payment due September 2021. Secured by assets of Passage Community Housing, LLC. Lien Priority 1.	-	6,931
	<u>3,846,027</u>	<u>2,760,126</u>
Less current portion	<u>(1,071,871)</u>	<u>(813,389)</u>
Debt, less current portion	<u>\$ 2,774,156</u>	<u>\$ 1,946,737</u>

Order of lien priority on Passage assets was agreed upon in the Management and Assumption Agreement between MHFA and Passage Community Housing, LLC. Bremer Bank has first lien on the 160 Glenwood building.

The Organization was granted a \$859,900 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Organization recognized \$859,900 of loan forgiveness income for the year ended June 30, 2021.

Future principal payments required are as follows:

Years Ending June 30,	Amount
2023	\$ 1,071,871
2024	914,084
2025	47,234
2026	49,232
2027	1,463,606
Thereafter	300,000
	<u>\$ 3,846,027</u>

The above future principal payments do not include the additional borrowings under the construction loan that occurred after June 30, 2022 (see Note 17).

In-kind interest expense of \$44,868 and \$120,850 for below-market loans has been recorded as an in-kind contribution and included in interest expense for the years ended June 30, 2022 and 2021.

Note 8 - Leases

The Organization leases office space and office equipment under non-cancelable operating leases. Minimum future rental payments under the non-cancelable leases for each year during the remaining lease terms are as follows:

Years Ending June 30,	Office Space	Office Equipment	Total
2023	\$ 22,400	\$ 6,744	\$ 29,144
2024	-	3,117	3,117
2025	-	1,889	1,889
2026	-	50	50
	<u>\$ 22,400</u>	<u>\$ 11,800</u>	<u>\$ 34,200</u>

Lease expense for the year ended June 30, 2022 and 2021, was \$100,516 and \$105,583, respectively.

Note 9 - Board-Designated Net Assets

Building

As of June 30, 2022 and 2021, \$0 and \$715,000 of net assets without donor restrictions were included in a fund designated by the Board of Directors. The Board has designated this fund for capital expenditures.

Endowment

As of June 30, 2022 and 2021, \$172,686 and \$57,979 of net assets without donor restrictions were included in an endowment created by and designated by the Board of Directors. The Board has designated this endowment for major capital expenditures or new projects or programs. All expenditures from the fund must be approved by the Board.

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as June 30, 2022 and 2021:

	2022	2021 (Restated)
Subject to expenditure for specified purpose		
Child and youth services	\$ 47,090	\$ 142,555
Shelter	9,478	11,222
Emerson Legacy Fund	98,141	99,972
Day 1 Family Fund	612,107	1,224,203
Comprehensive Campaign	2,053,576	948,906
Subject to the passage of time	40,500	60,064
	<u>\$ 2,860,892</u>	<u>\$ 2,486,922</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021, consist of the following:

	2022	2021 (Restated)
Satisfaction of purpose restrictions		
Child and youth services	\$ 95,457	\$ 278,179
Shelter	1,744	137,691
Emerson Legacy Fund	1,830	940
Day 1 Family Fund	612,096	555,888
Comprehensive Campaign	1,633,220	58,000
Expiration of time restrictions	47,073	199,687
	<u>\$ 2,391,420</u>	<u>\$ 1,230,385</u>

Note 11 - Endowment Funds

The Organization's endowment consists of a fund established by the Board for designated purposes, which include major capital expenditures and new projects or programs (Endowment Fund). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment, and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of Organization.
- The investment policies of Organization.

At June 30, 2022 and 2021, the Organization had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2022</u>			
Board-designated	\$ 172,686	\$ -	\$ 172,686
<u>June 30, 2021</u>			
Board-designated	\$ 57,979	\$ -	\$ 57,979

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022 and 2021, there were no underwater endowments.

Investment Policies

The purpose of the Endowment Fund is to enable the Organization to promote funding for specific needs, projects, and the overall sustainability of the Organization. The fund will support innovation and expansion in housing stability and other projects in furtherance of the mission of the Organization. The endowment assets are invested in a manner to earn a competitive total investment return while assuming a low level of investment risk. To satisfy its long-term rate-of-return objectives, the Organization relies on an investment allocation in which investments in equity funds shall comprise no less than 25% with a target of 60% of the portfolio, and fixed income securities shall comprise no less than 15% and no more than 75% with a target of 40% of the portfolio. Cash and equivalents are not expected to be a significant part of the normal asset allocation, except to the degree necessary to provide adequate liquidity for fund distributions and except during interim periods when cash is held awaiting reinvestment in equities or fixed income securities.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of June 30, 2020	\$ 57,979	\$ -	\$ 57,979
Board designated contributions	-	-	-
Balance as of June 30, 2021	57,979	-	57,979
Board designated contributions	114,707	-	114,707
Balance as of June 30, 2022	\$ 172,686	\$ -	\$ 172,686

Note 12 - Retirement Plan

The Organization has a simple IRA plan for all eligible employees. The annual employer's matching contribution is mandatory. The contributions made by the Organization totaled \$42,070 and \$57,219 for the years ended June 30, 2022 and 2021, respectively.

Note 13 - Related Party Transactions

The Organization receives contributions from Board members and other related parties. Contributions received from Board members, staff, and other related parties were \$77,987 and \$45,803 in the years ended June 30, 2022 and 2021, respectively.

Note 14 - In-Kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statements of activities included the following:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation	Monetized or Utilized	2022	2021
Food, Clothing, Household, Personal, Gift Cards, and Other Items	Meals and Items used at shelters	Prices of identical or similar items	Utilized	\$ 211,024	\$ 136,809
Legal and Other Consulting Services	Professional services, such as legal, technology consulting, etc.	Standard industry pricing for similar services	Utilized	87,388	38,479
Interest	Interest on non-interest bearing or low interest loans	Calculated using interest rate available at time loan was obtained	Utilized	44,868	120,850
Furniture	Office Furniture for 160 Glenwood	Prices of identical or similar items	Utilized	80,000	-
				<u>\$ 423,280</u>	<u>\$ 296,138</u>

All in-kind contributions received during the years ended June 30, 2022 and 2021 were unrestricted.

Note 15 - Contingency

COVID-19 Pandemic

During the years-end June 30, 2022 and 2021, the United States and global markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of this volatility. The Organization's consolidated financial statements do not include adjustments to fair value of investments that have resulted from this volatility.

Furthermore, the Organization has been impacted by the overall effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the full impact to the Organization's financial position is not known.

Note 16 - Correction of Errors

During 2022, the Organization discovered errors in the financial statements related to the classification of various net assets without donor restrictions and with donor restrictions. Accordingly, one error was corrected to the beginning balances in the 2021 financial statements, while the other impacted amounts for the year ended June 30, 2021.

The impact to the 2021 financial statements for the correction of the errors is as follows:

	Amounts as Previously Reported	Correction of Errors	Amounts as Restated
Statement of Financial Position			
Without donor restrictions			
Undesignated	\$ 3,749,711	\$ -	\$ 3,749,711
Board designated for building	-	715,000	715,000
Board designated for endowment	57,979	-	57,979
Total without donor restrictions	3,807,690	715,000	4,522,690
With donor restrictions	3,201,922	(715,000)	2,486,922
Total net assets	7,009,612	-	7,009,612

Simpson Housing Services, Inc.
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	Amounts as Previously Reported	Correction of Errors	Amounts as Restated
Statement of Activities			
Contributions without donor restrictions	\$ 1,159,022	\$ 615,000	\$ 1,774,022
Contributions with donor restrictions	1,543,406	(615,000)	928,406
Total contributions	2,702,428	-	2,702,428
 Total support and revenue without donor restrictions	 10,469,624	 615,000	 11,084,624
Total support and revenue with donor restrictions	313,021	(615,000)	(301,979)
Total support and revenue	10,782,645	-	10,782,645
 Operating income without donor restrictions	 97,948	 615,000	 712,948
Operating income with donor restrictions	313,021	(615,000)	(301,979)
Total change in operating income	410,969	-	410,969
 Change in net assets without donor restrictions	 957,848	 615,000	 1,572,848
Change in net assets with donor restrictions	313,021	(615,000)	(301,979)
Total change in net assets	1,270,869	-	1,270,869
 Net Assets, Beginning of Year			
Without donor restrictions	2,849,842	100,000	2,949,842
With donor restrictions	2,888,901	(100,000)	2,788,901
Total net assets, beginning of year	5,738,743	-	5,738,743
 Net Assets, End of Year			
Without donor restrictions	3,807,690	715,000	4,522,690
With donor restrictions	3,201,922	(715,000)	2,486,922
Total net assets, beginning of year	7,009,612	-	7,009,612
Statement of Cash Flows			
Operating Activities			
Contributions restricted to capital campaign	\$ (1,540,906)	\$ 615,000	\$ (925,906)
Financing Activities			
Contributions restricted to capital campaign	1,540,906	(615,000)	925,906

Note 17 - Subsequent Events

The Organization borrowed an additional \$780,490 on the construction loan subsequent to June 30, 2022.

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