

SON OF A SAINT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Son of a Saint
New Orleans, Louisiana
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Independent Auditor's Report

To the Board of Directors of
Son of a Saint
New Orleans, Louisiana

Opinion

We have audited the accompanying financial statements of Son of a Saint (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Son of a Saint as of December 31, 2022 and 2021, 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 Son of a Saint 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 opinion.

Responsibilities of Management 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, 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 Son of a Saint'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,

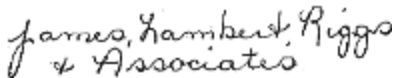
Son of a Saint
March 13, 2023

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 judgement 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 Son of a Saint'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 Son of a Saint'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.



James Lambert Riggs & Associates, Inc.
Hammond, Louisiana

March 13, 2023

Financial Statements

Son of a Saint
New Orleans, Louisiana
Statements of Financial Position
December 31, 2022 and 2021

Exhibit A

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,048,735	\$ 1,886,799
Promises to Give, Net	2,076,809	1,813,226
Investments	200	51,200
Prepaid Insurance	72,969	-
Total Current Assets	<u>3,198,713</u>	<u>3,751,225</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents:		
SOAS Scholars	2,147,684	1,891,824
Capital Campaign	4,404	1,161,001
Restricted Promises to Give	438,719	646,338
Total Restricted Assets	<u>2,590,807</u>	<u>3,699,163</u>
Property & Equipment:		
Construction in Process	-	1,496,062
Buildings and Improvements	6,025,472	1,720,575
Furniture and Equipment	194,231	113,933
Vehicles	108,560	67,844
Software Development	39,813	19,000
Less: Accumulated Depreciation	(228,037)	(106,978)
Total Property & Equipment	<u>6,140,039</u>	<u>3,310,436</u>
Other Assets:		
Right of Use Assets, Net	86,765	-
Total Other Assets	<u>86,765</u>	<u>-</u>
Total Assets	<u>\$ 12,016,324</u>	<u>\$ 10,760,824</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	281,334	2,156
Deferred Revenue	50,000	-
Lease Obligation, Short Term	10,059	-
Vehicle Note Payable, Short Term	9,931	-
Note Payable	766,246	1,004,124
Total Current Liabilities	<u>1,117,570</u>	<u>1,006,280</u>
Long Term Liabilities:		
Lease Obligation, Long Term	112,749	-
Vehicle Note Payable, Long Term	24,322	-
Total Long Term Liabilities	<u>137,071</u>	<u>-</u>
Total Liabilities	<u>1,254,641</u>	<u>1,006,280</u>
Net Assets:		
Without Donor Restrictions	7,855,846	6,210,151
With Donor Restrictions	2,905,837	3,544,393
Total Net Assets	<u>10,761,683</u>	<u>9,754,544</u>
Total Liabilities and Net Assets	<u>\$ 12,016,324</u>	<u>\$ 10,760,824</u>

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

Son of a Saint
New Orleans, Louisiana
Statements of Activities

Exhibit B

For the Year Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:						
Contributed Support:						
Grants	\$ 355,249	\$ -	\$ 355,249	\$ 695,872	\$ -	\$ 695,872
Donations	2,840,305	1,541,465	4,381,770	4,385,310	2,492,782	6,878,092
In-Kind Donations	793,331	-	793,331	920,354	-	920,354
Capital Campaign	232,465	-	232,465	-	-	-
School Contract Income	451,520	-	451,520	(1,678)	-	(1,678)
Other Income	34,522	-	34,522	30,380	-	30,380
Investment Income / (Loss)	766	-	766	-	-	-
Net Assets Released from Restrictions	1,950,383	(1,950,383)	-	569,299	(569,299)	-
Total Revenues and Other Support	<u>6,658,541</u>	<u>(408,918)</u>	<u>6,249,623</u>	<u>6,599,537</u>	<u>1,923,483</u>	<u>8,523,020</u>
Expenses:						
Program Services	3,530,669	229,638	3,760,307	2,633,491	165,740	2,799,231
Supportive Services:						
General and Administrative	524,052	-	524,052	346,556	-	346,556
Fundraising	937,002	-	937,002	784,893	-	784,893
Total Expenses	<u>4,991,723</u>	<u>229,638</u>	<u>5,221,361</u>	<u>3,764,940</u>	<u>165,740</u>	<u>3,930,680</u>
Total Net Operating Income	1,666,818	(638,556)	1,028,262	2,834,597	1,757,743	4,592,340
Net Assets:						
Beginning of the Year, Originally Stated	6,210,151	3,544,393	9,754,544	3,371,224	1,786,650	5,157,874
Prior Period Adjustment	(21,123)	-	(21,123)	4,330	-	4,330
Beginning of the Year, Restated	<u>6,189,028</u>	<u>3,544,393</u>	<u>9,733,421</u>	<u>3,375,554</u>	<u>1,786,650</u>	<u>5,162,204</u>
End of the Year	<u>\$ 7,855,846</u>	<u>\$ 2,905,837</u>	<u>\$ 10,761,683</u>	<u>\$ 6,210,151</u>	<u>\$ 3,544,393</u>	<u>\$ 9,754,544</u>

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

Son of a Saint
New Orleans, Louisiana
Statement of Functional Expenses
For the Year Ended December 31, 2022

Exhibit C

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Salary	\$ 1,185,099	\$ 118,552	\$ 379,561	\$ 1,683,212
Fringe Benefits	202,056	29,307	51,087	282,450
Donor Cultivation	-	15	46,119	46,134
Stipend / Scholarships	295,753	-	-	295,753
Staff Development	3,455	34,056	10,169	47,680
Transportation	49,632	-	28,872	78,504
Program Expenses	318,184	-	-	318,184
In-Kind Expenses	793,331	-	-	793,331
Depreciation	121,058	-	-	121,058
Contract Expenses	107,775	87,316	587	195,678
Sales and Marketing	-	33,255	99,670	132,925
Rent	69,438	12,989	-	82,427
Lease Expense	23,342	2,594	-	25,935
Fundraising	-	-	296,476	296,476
Bank Service Charges	-	664	-	664
Processing Fees	-	6,320	-	6,320
Board Expenses	15,900	11,691	-	27,591
Insurance	6,870	27,059	-	33,929
Printing and Postage	2,052	2,460	-	4,512
Books and Subscriptions	3,596	24,918	-	28,514
Supplies	86,527	1,850	-	88,377
Technology Expense	38,379	4,264	-	42,643
Telecommunications	63,306	7,034	-	70,340
Other Expenses	38,322	63,053	9,570	110,945
Travel	188,469	4,066	14,891	207,426
Repairs & Maintenance	50,150	26,103	-	76,253
Bad Debt Expense	59,622	-	-	59,622
Interest Expense	-	26,486	-	26,486
Educational Expenses	37,992	-	-	37,992
Total Expenses	<u>\$ 3,760,307</u>	<u>\$ 524,052</u>	<u>\$ 937,002</u>	<u>\$ 5,221,361</u>
Percentage of Total Expenses	<u>72.02%</u>	<u>10.04%</u>	<u>17.95%</u>	<u>100.00%</u>

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

Son of a Saint
New Orleans, Louisiana
Statement of Functional Expenses
For the Year Ended December 31, 2021

Exhibit C
(Continued)

	Program Services	General & Administrative	Fundraising	Total
Payroll Salary	\$ 579,749	\$ 86,462	\$ 375,649	\$ 1,041,860
Fringe Benefits	276,421	8,136	112,373	396,930
Donor Cultivation	-	15	23,339	23,354
Stipend / Scholarships	160,280	-	-	160,280
Staff Development	-	-	14,945	14,945
Transportation	-	-	39,841	39,841
Program Expenses	412,418	-	-	412,418
In-Kind Expenses	866,604	43,000	10,750	920,354
Depreciation	59,679	-	-	59,679
Contract Expenses	-	17,613	559	18,172
Sales and Marketing	-	53,217	-	53,217
Rent	63,263	-	-	63,263
Fundraising	-	-	191,187	191,187
Bank Service Charges	-	13,392	-	13,392
Processing Fees	-	10,542	-	10,542
Board Expenses	-	2,147	-	2,147
Insurance	72,589	27,638	-	100,227
Printing and Postage	3,911	2,595	-	6,506
Books and Subscriptions	3,716	16,886	-	20,602
Supplies	141,976	420	-	142,396
Technology Expense	9,482	8,429	-	17,911
Telecommunications	46,379	4,580	-	50,959
Other Expenses	9,240	42,568	16,250	68,058
Travel	32,972	8,916	-	41,888
Repairs & Maintenance	60,552	-	-	60,552
Bad Debt Expense	-	-	-	-
Interest Expense	-	-	-	-
Educational Expenses	-	-	-	-
Total Expenses	<u>\$ 2,799,231</u>	<u>\$ 346,556</u>	<u>\$ 784,893</u>	<u>\$ 3,930,680</u>
Percentage of Total Expenses	<u>71.21%</u>	<u>8.82%</u>	<u>19.97%</u>	<u>100.00%</u>

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

Son of a Saint
New Orleans, Louisiana
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Exhibit D

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 1,028,262	\$ 4,592,340
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Right of Use Assets Amortization	171,160	59,679
Gain on Lease Termination	(11,015)	-
Changes in Operating Assets and Liabilities:		
Grants Receivable	(55,964)	(980,118)
Investments	51,000	(51,200)
Prepaid Insurance	(72,969)	18,745
Deferred Revenue	50,000	-
Accounts Payable	<u>279,178</u>	<u>3,107</u>
Net Cash Provided by Operating Activities	<u>1,439,652</u>	<u>3,642,553</u>
 Cash Flows from Investing Activities:		
Purchases of Property and Equipment	<u>(2,950,662)</u>	<u>(1,566,017)</u>
Net Cash Used in Investing Activities	<u>(2,950,662)</u>	<u>(1,566,017)</u>
 Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	(2,784,619)	1,004,124
Drawdowns from Line of Credit	2,546,741	1,005,637
Payments on Line of Credit	-	(1,005,637)
Issuance of Vehicle Note Payable	40,716	-
Principal Payment of Vehicle Note Payable	(6,463)	-
Payments of Principal on Finance Leases	<u>(24,166)</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(227,791)</u>	<u>1,004,124</u>
 Net Change in Cash and Cash Equivalents	(1,738,801)	3,080,660
 Cash and Cash Equivalents - Beginning of the Year	<u>4,939,624</u>	<u>1,858,964</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 3,200,823</u>	<u>\$ 4,939,624</u>
 Supplemental Disclosure of Cash Flow Information		
Cash and Cash Equivalents per Exhibit A	\$ 1,048,735	\$ 1,886,799
Restricted Cash and Cash Equivalents per Exhibit A	<u>2,152,088</u>	<u>3,052,825</u>
	<u>\$ 3,200,823</u>	<u>\$ 4,939,624</u>
 Cash Paid for Interest	<u>\$ 26,486</u>	<u>\$ -</u>

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

Son of a Saint
New Orleans, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2022

Introduction

Son of a Saint (SOAS) is a non-profit organization formed to enhance the lives of fatherless boys through mentorship, emotional support, development of life skills, exposure to constructive experiences and formation of positive, lasting peer-to-peer relationships. SOAS serves the Greater New Orleans Area and achieves its mission through:

- **Mental Wellness** – SOAS employs a Licensed Professional Counselor to provide evaluations and ongoing counseling for its mentees. This counselor works with mentees individually and in groups to address issues such as trauma, anger, and grief.
- **One-on-One & Group Mentorship** – Regular daylong mentorship sessions are designed to aid in our boys’ academic, personal, and overall development. The organization hosts an average of 20 group mentorship sessions per month, covering topics such as etiquette, time management, decision-making, critical thinking, anger management, moral reasoning, life skills, work ethic, leadership, civic responsibility and teamwork. Mentees and mentors also frequent various types of outings, such as sporting events, educational trips, movies, dining, parades, and volunteer activities. Many of SOAS’ mentees are also paired with a dedicated mentor to facilitate an ongoing, one-on-one mentoring relationship.
- **Recreational Access** – SOAS mentees are exposed to horseback riding, fishing, yoga, music, chess, the arts and more. Every boy participates in at least one of these activities weekly. Mentors also support and encourage mentees in their extracurricular activities by attending various activities.
- **Academic Support** – SOAS provides ongoing tutoring for Son of a Saint mentees in need of additional academic support. Many of our volunteer educators are current New Orleans middle school or high school teachers, and are familiar with the mentees’ coursework. Son of a Saint also serves as advocates for the boys at school, intervening in the case of behavioral or academic challenges, and providing support to guardians.
- **Tuition Assistance** – SOAS works to provide middle school and high school scholarships allowing mentees to attend tuition-based schools in the New Orleans area. If a mentee has the inclination and academic capability to attend a private or parochial school, SOAS does their best to make sure financial means are not a barrier to a quality education.
- **College Preparation** – SOAS works with mentees to ensure they have the preparation and knowledge to make an informed decision about their higher education path. SOAS reviews postsecondary education options, facilitate ACT preparation classes, guide them in the college essay writing process, teach them about college financing, and help connect them with financial aid and scholarship opportunities.
- **Career Development** – SOAS’s Career Development Coordinator pairs the mentees with internships, job shadowing opportunities and academic camps. SOAS also organizes company tours and career panels for the mentees to learn about interview skills and different career options.

Son of a Saint
New Orleans, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2022

- Cultural Immersion – SOA provides cultural immersion opportunities for mentees, allowing them to break down preconceived barriers about other cultures and people, all while building confidence, developing newfound cultural sensitivity, and making meaningful connections with the local ways of life in difference destinations. SOAS mentees have journeyed to places including Montreal, Costa Rica and Ghana, Africa.

1. Summary of Significant Accounting Policies

A. Basis of Accounting

In accordance with generally accepted accounting principles, the accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

B. Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of SOAS 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. Revenues are reported as increases in net assets without restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions.

Net Assets With 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 stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, SOAS considers all short-term, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Cash balances in the SOAS Scholars and the SOAS Capital Campaign accounts are considered restricted because the donations received were restricted by donors and the future expense of these funds are restricted only for these specific purposes.

In accordance with ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, the statement of cash flows includes cash, cash equivalents, restricted cash, and restricted cash equivalents.

D. Property and Equipment

All significant acquisitions of property and equipment whose useful lives extend beyond a one-year period and betterments, which naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Repairs and maintenance that do not extend the asset's useful life are expensed as incurred. Property and equipment are carried at cost, or, if donated, at their acquisition value

Son of a Saint
New Orleans, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2022

(entry price) at the date of donation. Assets acquired through lease agreements meeting requirements under generally accepted accounting principles that require capitalization are recorded at their fair market values as of the date of the lease inception. SOAS records depreciation on its property and equipment using the straight-line method. The following is a summary of the estimated useful lives used:

Buildings and Improvements	40 Years
Vehicles	5 Years
Computer Software	5 Years
Furniture and Equipment	10 Years

SOAS periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than the assets' carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined by independent market appraisals or by using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recognized for the years ended December 31, 2022 and 2021.

E. Revenue and Support with Donor Restrictions and without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions or increases in net assets with donor restrictions, depending on the existence and / or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same accounting period are reported as support and revenues without restrictions.

Fundraising and other revenues are recognized as earned.

F. Donated Assets and Services

Donated services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased if not provided by donation. The estimated fair market value of donated services provided to SOAS during the fiscal year ending December 31, 2022 and 2021 was \$793,331 and \$846,861, respectively, which are recorded in the accompanying financial statements. Included in the 2022 fair market value of donated services is \$348,880 of in-kind personnel support from Ochsner Health Services and \$150,000 of in-kind services from RYCARS Constructions, LLC. In addition, there are numerous volunteers who donate time in SOAS's programs and supporting services. During the fiscal year ending December 31, 2022 and 2021, volunteer workers donated an estimated 2,225 and 3,100 hours of time, respectively. The estimated value based on volunteer rates is \$52,327 for December 31, 2022 and \$73,492 for December 31, 2021, which are also recorded in the accompanying financial statements.

Son of a Saint
New Orleans, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2022

G. Income Taxes

SOAS is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Management believes there are no uncertain tax positions included in the financial statements. SOAS's Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 990-T, *Exempt Organization Business Income Tax Return*, for the years ending December 31, 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

H. Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which are directly associated with program services or supportive services are charged directly to that functional area. SOAS maintains a single program concentrated on youth mentoring, and, as a result, all program services are classified as such on the statements of functional expenses.

I. Concentrations

Cash on Deposit and Uninsured Balances:

SOAS maintains its cash and cash equivalent balances at various financial institutions. As of December 31, 2022 and 2021, the balances in SOAS's cash and cash equivalents not covered from loss by the FDIC totaled \$2,815,812 and \$4,764,542, respectively.

Concentration of Revenue:

For the fiscal year ended December 31, 2022, \$2,885,709 or approximately 52 percent of the SOAS's donated revenues were received from fifteen (15) individual and corporate donors concentrated primarily in the City of New Orleans, Louisiana.

J. Fair Value Measurements

Fair value is the price SOAS would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities recorded or disclosed at fair value, SOAS determines fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, SOAS determines fair value based upon the quoted market price of similar assets or the present value of expected future cash flows considering the risks involved, including counterparty performance risk if appropriate, and using discount rates appropriate for the duration. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

Level 1: Inputs based upon quoted prices in active markets for identical assets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset (or liability), either directly or indirectly.

Level 3: Inputs are unobservable for the asset.

Son of a Saint
New Orleans, Louisiana
Notes to the Financial Statements
For the Year Ended December 31, 2022

K. Recently Adopted Financial Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories: 1) Financing leases, similar to capital leases, will require the recognition of an asset and liability, measured at the present value of the lease payments. Interest on the liability will be recognized separately from amortization of the asset and principal repayments will be classified as financing outflows and payments of interest as operating outflows on the statement of cash flows; 2) Operating leases will also require the recognition of an asset and liability measured at the present value of the lease payments. A single lease cost, consisting of interest on the obligation and amortization of the asset, calculated such that the amortization of the asset will increase as the interest amount decreases resulting in a straight-line recognition of lease expense. All cash outflows will be classified as operating on the statement of cash flows. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. For sale-leaseback transactions, the sale will only be recognized if the criteria in the new revenue recognition standard are met. If there is no sale, the buyer-lessor does not recognize the transaction as a purchase and consideration paid for the asset is treated as a financing transaction.

SOAS adopted ASU 2016-02, *Leases* (Topic 842) for the year ended December 31, 2022. In accordance with FASB ASC 842-10-65-1(c)(2), SOAS has adopted the leasing standard retrospectively at the beginning of the period of adoption (January 1, 2022) through a cumulative-effect adjustment. Under this transition method, the application date shall be the beginning of the reporting period in which the entity first applies the standard. See Footnote 6 for further disclosure of SOAS's leases and the effect of the adoption of Topic 842 on SOAS's statement of financial position and statement of activities.

L. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Net assets are unchanged due to these reclassifications.

M. Use of Estimates

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

2. Cash and Cash Equivalents

At December 31, 2022 and 2021, SOAS had cash (book balances) totaling \$3,069,235 and \$5,030,781 consisting primarily of demand deposit accounts and money market accounts at several financial institutions. These deposits were stated at cost, which approximates market. Accounts are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022 and 2021, the balances in SOAS's cash accounts not covered from loss by the FDIC totaled \$2,815,812 and \$4,764,542, respectively.

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3. Promises to Give

Promises to give consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Receivables in Less Than One Year	\$ 1,335,667	\$ 1,236,237
Receivables in One to Five Years	1,179,861	1,223,327
Receivables in More Than Five Years	<u>-</u>	<u>-</u>
Total Promises to Give	2,515,528	2,459,564
Less: Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>
Net Promises to Give	<u>\$ 2,515,528</u>	<u>\$ 2,459,564</u>

As of December 31, 2022 and per the Statement of Financial Position, \$438,719 of the net promises to give are restricted by donors for future use by the SOAS Capital Campaign. The remaining \$2,126,809 promises to give as of December 31, 2022, are unrestricted promises to give with no donor restrictions as to their use.

As of December 31, 2021 and per the Statement of Financial Position, \$646,338 of the net promises to give are restricted by donors for future use by the SOAS Scholars and SOAS Capital Campaign. The remaining \$1,813,226 promises to give as of December 31, 2021, are unrestricted promises to give with no donor restrictions as to their use.

4. Property and Equipment

A summary of property and equipment for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Construction in Progress	\$ -	\$ 1,496,062
Buildings and Improvements	6,025,472	1,720,575
Furniture and Equipment	194,231	113,933
Vehicles	108,560	67,844
Computer Software	39,813	19,000
Less: Accumulated Depreciation	<u>(228,037)</u>	<u>(106,978)</u>
Total	<u>\$ 6,140,039</u>	<u>\$ 3,310,436</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$121,058 and \$59,679, respectively.

5. Long-Term Debt

In April 2021, SOAS obtained a note payable with Hancock Whitney Bank for \$2,875,946. The promissory note carries an interest rate of 3.750%. The proceeds from this note were used to purchase building improvements for a new building. The note had a balance due of \$395,502 as of December 31, 2022 and \$1,004,124 as of December 31, 2021.

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In November 2022, SOAS obtained a note payable with Hancock Whitney Bank for \$374,000. The promissory note carries an interest rate of 5.750%. The proceeds from this note were used to purchase a new building. As of December 31, 2022, the remaining balance of this loan was \$370,744.

On April 23, 2022, SOAS purchased a 2022 Ford Explorer for \$40,716. This vehicle is being financed for a period of 48 months at 2.90% resulting in monthly payments of \$899.42. As of December 31, 2022, the remaining balance of this loan was \$34,253.

6. Leases

SOAS determines if an arrangement is a lease at the inception. If an arrangement contains a lease, SOAS performs a lease classification test to determine if the lease is an operating lease or a financing lease. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent SOAS's obligation to make lease payments arising from the leases. Financing lease liabilities are recognized on the commencement date of the lease based on the present value of the future lease payments over the lease term and are included in long-term liabilities and current liabilities on the statement of financial position. ROU assets are valued at the initial measurement of the lease liability, plus any indirect costs or prepayments, and reduced by any lease incentives and any deferred lease payments. Financing ROU assets are recorded in long-term assets, net on the statement of financial position and amortized on a straight-line basis over the lease term. To determine the present value of the lease payments on lease commencement, SOAS used the implicit rate when readily determinable; however, as most leases do not provide an implicit rate, SOAS utilized a rate used for the purchase of a similar asset.

SOAS has identified four financing leases for vehicles. The following is a summary of SOAS's current financing leases:

- A lease dated July 24, 2020 for a 2020 Ford Edge, with a lease term of 36 months at 2.90% and monthly lease payments of \$574.06 (\$528.11 base lease payment plus \$45.95 for sales / use tax). The ROU asset has been recorded at \$30,276.64. A purchase option of \$13,138.80 is available for the vehicle at the end of the lease term. The purchase option was not utilized and the lease was terminated in September 2022.
- A lease dated March 1, 2021 for a 2021 Ford Expedition, with a lease term of 39 months at 2.90% and monthly lease payments of \$999.30 (\$913.02 base lease payment plus \$86.28 for sales / use tax). The ROU asset has been recorded at \$63,244.38. A purchase option of \$32,104.50 is available for the vehicle at the end of the lease term. SOAS has not decided whether to exercise this option as of December 31, 2022.
- A lease dated March 9, 2021 for a 2021 Ford F-150, with a lease term of 36 months at 2.90% and monthly lease payments of \$699.98 (\$639.54 base lease payment plus \$60.44 for sales / use tax). The ROU asset has been recorded at \$43,902.91. A purchase option of \$23,806.10 is available for the vehicle at the end of the lease term. SOAS has not decided whether to exercise this option as of December 31, 2022.
- A lease dated September 30, 2022 for a 2022 Ford Explorer, with a lease term of 36 months at 2.90% and monthly lease payments of \$705.31 (\$649.23 base lease payment plus \$56.08 for sales / use tax). The ROU asset has been recorded at \$47,389.56. A purchase option of \$27,244.40 is available for the vehicle at the end of the lease term. SOAS has not decided whether to exercise this option as of December 31, 2022.

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As of December 31, 2022 and 2021, the operating ROU assets net of accumulated amortization on the statement of financial position was \$86,765 and \$0-, respectively. As of December 31, 2022 and 2021, the financing lease liability consisted of the following:

	2022	2021
Operating Lease Liability, Current Portion	\$ 10,059	\$ -
Operating Lease Liability, Long-Term Portion	112,749	-
	\$ 122,808	\$ -

For the year ended December 31, 2022, the total lease cost for SOAS was \$42,202, comprised of \$2,842 of interest costs and \$39,360 of amortization of right to use assets. Future undiscounted cash flows related to SOAS's financing leases are \$26,421 for 2023; \$13,635 for 2024; and \$5,194 for 2025

7. Fair Value Measurements

The following table reflects assets and liabilities that are measured and carried at fair value on a recurring basis as of December 31, 2021:

	Quoted Prices in Active Markets for Identical Asset or Liability (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value
Financial Assets:				
Cash & Cash Equivalents	\$ 3,200,823	\$ -	\$ -	\$ 3,200,823

8. Commitments and Contingencies

Participation in Grant Programs:

SOAS is a recipient of grant funds from various funding sources. The administration of the program and activities funded by the grants are under the control and administration of SOAS and are subject to audit and / or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

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9. Net Assets with Donor Restrictions

SOAS's net assets with donor restrictions at December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Son of a Saint Scholars	\$ 2,147,684	\$ 1,890,643
Capital Campaign	<u>758,153</u>	<u>1,653,750</u>
Total	<u>\$ 2,905,837</u>	<u>\$ 3,544,393</u>

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by satisfaction of the restricted purposes during the years ended December 31, as follows:

	<u>2022</u>	<u>2021</u>
Son of a Saint Scholars	\$ 229,638	\$ 165,740
Capital Campaign	<u>1,950,383</u>	<u>569,299</u>
Total	<u>\$ 2,180,021</u>	<u>\$ 735,039</u>

11. Liquidity and Availability of Financial Assets

The following reflects SOAS's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	<u>2022</u>	<u>2021</u>
Financial Assets, at Year-End:		
Cash and Cash Equivalents	\$ 1,048,735	\$ 1,886,799
Accounts Receivable, Net	<u>2,076,809</u>	<u>1,813,226</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within One Year	<u>\$ 3,125,544</u>	<u>\$ 3,700,025</u>

12. Board of Directors Compensation

The Board of Directors operates on a voluntary basis. As such, there were no payments made to any Board Member during the twelve months ended December 31, 2022 or December 31, 2021 for services.

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13. Prior Period Adjustment

SOAS adopted ASU 2016-02, *Leases* (Topic 842) for the year ended December 31, 2022. In accordance with FASB ASC 842-10-65-1(c)(2), SOAS has adopted the leasing standard retrospectively at the beginning of the period of adoption (January 1, 2022) through a cumulative-effect adjustment. Under this transition method, the application date shall be the beginning of the reporting period in which the entity first applies the standard. See Footnote 6 for further disclosure of SOAS's leases and the effect of the adoption of Topic 842 on SOAS's statement of financial position and statement of activities.

An adjustment of (\$21,123) was made to Beginning Net Assets for the cumulative effect of recording the right to use assets and related accumulated amortization as well as the lease liabilities related to the financing leases

14. Subsequent Events

Management has evaluated the subsequent events through the date that the financial statements were available to be issued, March 13, 2023. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.