

SISTERS OF THE ROAD, INC.

Audited Financial Statements

For the Year Ended June 30, 2021



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sisters Of The Road, Inc.

We have audited the accompanying financial statements of Sisters Of The Road, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sisters Of The Road, Inc. as of June 30, 2021, and 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.

McDonald Jacobz, P.C.

Portland, Oregon
May 4, 2022

SISTERS OF THE ROAD, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS		
Cash and cash equivalents		\$ 1,280,829
Contributions receivable		7,500
Prepaid expenses and other assets		4,058
Property and equipment, net		<u>14,725</u>
TOTAL ASSETS		<u>\$ 1,307,112</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable		\$ 40,140
Accrued personnel expenses		<u>49,496</u>
Total liabilities		<u>89,636</u>
Net assets:		
Without donor restrictions:		
Undesignated		893,251
Board designated reserve		302,000
Net property and equipment		<u>14,725</u>
Total without donor restrictions		1,209,976
With donor restrictions		<u>7,500</u>
Total net assets		<u>1,217,476</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,307,112</u>

See notes to the financial statements.

SISTERS OF THE ROAD, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 1,299,702	\$ 50,748	\$ 1,350,450
Government grant	136,700	-	136,700
Donated goods	19,760	-	19,760
Interest income	2,030	-	2,030
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>43,248</u>	<u>(43,248)</u>	<u>-</u>
Total support and revenue	<u>1,501,440</u>	<u>7,500</u>	<u>1,508,940</u>
 Expenses:			
Program services	807,951	-	807,951
General and administrative	132,738	-	132,738
Fundraising	<u>199,930</u>	<u>-</u>	<u>199,930</u>
Total expenses	<u>1,140,619</u>	<u>-</u>	<u>1,140,619</u>
 Change in net assets	360,821	7,500	368,321
 Net assets:			
Beginning of year	<u>849,155</u>	<u>-</u>	<u>849,155</u>
 End of year	<u><u>\$ 1,209,976</u></u>	<u><u>\$ 7,500</u></u>	<u><u>\$ 1,217,476</u></u>

See notes to the financial statements.

SISTERS OF THE ROAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Café</u>	<u>Systemic Change</u>	<u>Total Program Expenses</u>	<u>General and Admin- istrative</u>	<u>Fund- raising</u>	
Personnel expenses:						
Salaries	\$ 254,050	\$ 76,372	\$ 330,422	\$ 97,986	\$ 121,423	\$ 549,831
Payroll taxes and employee benefits	96,638	32,457	129,095	13,328	23,026	165,449
Other personnel costs	<u>76,978</u>	<u>24,909</u>	<u>101,887</u>	<u>8,994</u>	<u>18,679</u>	<u>129,560</u>
Total personnel expenses	427,666	133,738	561,404	120,308	163,128	844,840
Other expenses:						
Office supplies expense	9,656	2,211	11,867	3,650	2,467	17,984
Rent	44,747	3,495	48,242	1,488	2,570	52,300
Utilities	25,530	1,160	26,690	490	1,071	28,251
Insurance	5,010	1,347	6,357	578	1,128	8,063
Licenses and fees	1,016	556	1,572	227	392	2,191
Food and beverages	98,762	1,175	99,937	-	-	99,937
Supplies	18,279	11,072	29,351	-	-	29,351
Repairs and maintenance	9,640	25	9,665	166	17	9,848
Newsletter and direct mail	263	9	272	4	7,952	8,228
Outreach and public relations	2,107	685	2,792	292	19,931	23,015
Legal and accounting	1,625	-	1,625	4,545	-	6,170
Miscellaneous	285	48	333	575	432	1,340
Depreciation	<u>6,950</u>	<u>894</u>	<u>7,844</u>	<u>415</u>	<u>842</u>	<u>9,101</u>
Total expenses	<u>\$ 651,536</u>	<u>\$ 156,415</u>	<u>\$ 807,951</u>	<u>\$ 132,738</u>	<u>\$ 199,930</u>	<u>\$ 1,140,619</u>

See notes to the financial statements.

SISTERS OF THE ROAD, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 368,321
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	9,101
(Increase) decrease in:	
Contributions receivable	(4,493)
Prepaid expenses and other assets	18,177
(Decrease) in:	
Accounts payable	13,452
Accrued personnel expenses	9,721
Refundable advance	<u>(136,700)</u>
Net cash flows from operating activities	<u>277,579</u>
Net change in cash and cash equivalents	277,579
Cash and cash equivalents - beginning of year	<u>1,003,250</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,280,829</u></u>

See notes to the financial statements.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Sisters Of The Road, Inc. (the Organization) was incorporated in 1979 as a nonprofit restaurant in Portland, Oregon, open to the public and providing nourishing meals at little or no cost or in exchange for labor. Support received consists primarily of contributions of cash and donated goods. Program services include the Café and Systemic Change.

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.
- *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 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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months to be cash equivalents.

Contributions Receivable

Contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial. Contributions receivable are unsecured and are expected to be collected within one year.

Property and Equipment

Additions of property and equipment of \$500 or greater are capitalized. Property and equipment purchased are valued at cost. Donated assets are reflected as contributions at their estimated fair value at the date of receipt.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depreciation

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

Revenue is recognized as follows:

Contributions: Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period in which notification of the commitment is received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Refundable Advance/Government Grant: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as government grant. The Organization received a PPP loan during the year ended June 30, 2020 and satisfied the conditions during 2021 and \$136,700 was recognized as government grant revenue.

Donated Goods and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donations to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated materials recognized for the year ended June 30, 2021 are all program related and include food of \$19,410 and supplies of \$350.

In addition, the Organization regularly receives contributed services from a large number of volunteers who assist in fundraising and other efforts through their participation in a range of events and by working with members of the Organization staff in a variety of capacities. The value of such services has not been recognized in the accompanying financial statements since the recognition criteria have not been met.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes

Sisters Of The Road, Inc. is a nonprofit, charitable organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses allocated according to estimates of time and effort include personnel, office supplies, rent, utilities, insurance, license and fees, repairs and maintenance, miscellaneous, and depreciation.

Use of Estimates

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

Changes in Accounting Principles

The Organization implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Changes in Accounting Principles, Continued

The Organization also implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning in 2021. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The Organization currently does not have revenue streams subject to this standard.

There was no impact to the Organization's revenue for these changes in accounting principles.

Future Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

Subsequent Events

The Organization has evaluated all subsequent events through May 4, 2022, the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization available for general expenditure at June 30, 2021 total \$978,829 and consist of cash and cash equivalents of \$1,280,829, less board designated net assets of \$302,000. However, board designated assets can be made available for general use by consensus vote of the board.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

3. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2021:

Kitchen equipment	\$ 58,535
Office equipment	48,517
Leasehold improvements	<u>261,461</u>
Total property and equipment	368,513
Less accumulated depreciation	<u>353,788</u>
Net property and equipment	<u><u>\$ 14,725</u></u>

4. **BOARD DESIGNATED NET ASSETS**

Board designated net assets at June 30, 2021 total \$302,000 and consist of unrestricted funds held as a general operating reserve.

5. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with expiring donor restrictions at June 30, 2021 consists of \$7,500 for the café program.

6. **LEASE COMMITMENT**

The Organization leases space for the Cafe, office facilities, and the Systemic Change program under a lease agreement that ended February 2022 and renewed through February 2025. Monthly rent is approximately \$4,300 and increases annually. Total rent expense for this lease approximated \$50,500 for 2021.

Approximate future minimum lease commitments under the lease are:

For the year ending June 30, 2022	\$ 52,100
2023	53,000
2024	55,700
2025	<u>38,300</u>
	<u><u>\$ 199,100</u></u>

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

7. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions located in Portland. Balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) up to \$250,000. Balances in excess of the federally insured limit approximate \$137,500 at June 30, 2021.

8. RELATED PARTY DISCLOSURE

At times, the Organization enters into transactions with companies where family members of the management team are key employees or owners. These transactions occur in the normal course of business. Transactions included contracted work for facility maintenance, totaling approximately \$1,900.