

SISTERS OF THE ROAD, INC.

Audited Financial Statements

For the Year Ended June 30, 2022



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Sisters Of The Road, Inc. (an Oregon nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sisters Of The Road, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Sisters Of The Road, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sisters Of The Road, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sisters Of The Road, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Sisters Of The Road, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
February 14, 2023

SISTERS OF THE ROAD, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,219,556	\$ 1,280,829
Contributions receivable	26,036	7,500
Prepaid expenses and other assets	5,925	4,058
Property and equipment, net	<u>6,915</u>	<u>14,725</u>
 TOTAL ASSETS	 <u>\$ 1,258,432</u>	 <u>\$ 1,307,112</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 30,081	\$ 40,140
Accrued personnel expenses	<u>36,959</u>	<u>49,496</u>
Total liabilities	<u>67,040</u>	<u>89,636</u>
Net assets:		
Without donor restrictions:		
Undesignated	882,477	893,251
Board designated reserve	302,000	302,000
Net property and equipment	<u>6,915</u>	<u>14,725</u>
Total without donor restrictions	1,191,392	1,209,976
With donor restrictions	<u>-</u>	<u>7,500</u>
Total net assets	<u>1,191,392</u>	<u>1,217,476</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,258,432</u>	 <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, 2022
(With comparative totals for 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
Support and revenue:				
Contributions	\$ 985,744	\$ 75,000	\$ 1,060,744	\$ 1,350,450
Government grant	-	-	-	136,700
Donated goods	18,707	-	18,707	19,760
Special events	11,561	-	11,561	-
Interest and other income	1,043	-	1,043	2,030
Net assets released from restrictions:				
Satisfaction of purpose restrictions	82,500	(82,500)	-	-
Total support and revenue	1,099,555	(7,500)	1,092,055	1,508,940
Expenses:				
Program services	854,870	-	854,870	807,951
General and administrative	112,005	-	112,005	132,738
Fundraising	151,264	-	151,264	199,930
Total expenses	1,118,139	-	1,118,139	1,140,619
 Change in net assets	 (18,584)	 (7,500)	 (26,084)	 368,321
Net assets:				
Beginning of year	1,209,976	7,500	1,217,476	849,155
End of year	\$ 1,191,392	\$ -	\$ 1,191,392	\$ 1,217,476

See notes to the financial statements.

SISTERS OF THE ROAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
(With comparative totals for 2021)

	<u>Program Services</u>			<u>Supporting Services</u>		2022 <u>Total</u>	2021 <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	\$ 305,525	\$ 105,999	\$ 411,524	\$ 34,212	\$ 59,447	\$ 505,183	\$ 549,831
Payroll taxes and employee benefits	82,600	28,010	110,610	10,784	18,965	140,359	165,449
Other personnel costs	<u>78,981</u>	<u>24,049</u>	<u>103,030</u>	<u>22,680</u>	<u>19,473</u>	<u>145,183</u>	<u>129,560</u>
Total personnel expenses	467,106	158,058	625,164	67,676	97,885	790,725	844,840
Other expenses:							
Rent	44,308	3,954	48,262	1,710	2,917	52,889	52,300
Utilities	22,623	138	22,761	76	113	22,950	28,251
Repairs and maintenance	13,702	170	13,872	663	136	14,671	9,848
Depreciation	6,219	756	6,975	300	535	7,810	9,101
Office supplies expense	8,368	2,458	10,826	1,417	6,752	18,995	17,984
Outreach and public relation	417	417	834		27,538	28,372	23,015
Food and beverages	84,649	17,763	102,412	-	-	102,412	99,937
Supplies	12,472	136	12,608	129	-	12,737	29,351
Newsletter and direct mail	129	40	169	16	12,495	12,680	8,228
Insurance	4,631	1,299	5,930	547	1,055	7,532	8,063
Legal and accounting	-	-	-	38,392	-	38,392	6,170
Miscellaneous	<u>1,918</u>	<u>3,139</u>	<u>5,057</u>	<u>1,079</u>	<u>1,838</u>	<u>7,974</u>	<u>3,531</u>
Total expenses	<u>\$ 666,542</u>	<u>\$ 188,328</u>	<u>\$ 854,870</u>	<u>\$ 112,005</u>	<u>\$ 151,264</u>	<u>\$ 1,118,139</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, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (26,084)	\$ 368,321
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,810	9,101
(Increase) decrease in:		
Contributions receivable	(18,536)	(4,493)
Prepaid expenses and other assets	(1,867)	18,177
(Decrease) increase in:		
Accounts payable	(10,059)	13,452
Accrued personnel expenses	(12,537)	9,721
Refundable advance	<u>-</u>	<u>(136,700)</u>
Net cash flows from operating activities	<u>(61,273)</u>	<u>277,579</u>
 Net change in cash and cash equivalents	 (61,273)	 277,579
 Cash and cash equivalents - beginning of year	 <u>1,280,829</u>	 <u>1,003,250</u>
 Cash and cash equivalents - end of year	 <u>\$ 1,219,556</u>	 <u>\$1,280,829</u>

See notes to the financial statements.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 \$1,000 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, 2022

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, 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.

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.

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. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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

Income Taxes, Continued

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.

Change in Accounting Standard

The Organization has implemented FASB ASU 2020-007, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022. As a result, nonfinancial assets are disaggregated and presented separately in the statement of activities. In addition, enhanced disclosures include the valuation techniques, functional classification, and any restrictions associated with these types of contributions. The amendments do not change the recognition and measurement requirements. There was no impact on the Organization's financial position and change in net assets upon adoption.

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.

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.

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

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

Summarized Financial Information for 2021

The accompanying financial information for the year ended June 30, 2021 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through February 14, 2023, 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 available for general expenditure consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,219,556	\$ 1,280,829
Contributions receivable	<u>26,036</u>	<u>7,500</u>
	1,245,592	1,288,329
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	-	7,500
Board designations	<u>302,000</u>	<u>302,000</u>
Financial assets available for general expenditure	<u>\$ 943,592</u>	<u>\$ 978,829</u>

Board designated net 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, 2022

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	2022	2021
Kitchen equipment	\$ 58,535	\$ 58,535
Office equipment	48,517	48,517
Leasehold improvements	261,461	261,461
Total property and equipment	368,513	368,513
Less accumulated depreciation	361,598	353,788
Net property and equipment	\$ 6,915	\$ 14,725

4. BOARD DESIGNATED NET ASSETS

Board designated net assets at June 30, 2022 and 2021 total \$302,000 and consist of funds held as a general operating reserve.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 consist 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 through February 2025. Monthly rent is approximately \$4,300 and increases annually. Total rent expense for this lease approximated \$52,900 and \$52,300 for the years ended June 30, 2022 and 2021, respectively.

Approximate future minimum lease commitments under the lease are:

For the year ending June 30, 2023	\$ 53,000
2024	55,700
2025	38,300
	\$ 147,000

SISTERS OF THE ROAD, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2022

7. CONTRIBUTED NONFINANCIAL ASSETS (DONATED GOODS)

The Organization received and used the following donated goods for its programs for the years ended June 30, 2022 and 2021:

	2022	2021
Food	\$ 18,707	\$ 19,410
Supplies	-	350
Total donated goods	\$ 18,707	\$ 19,760

Donated food and supplies are recorded at fair value and are used to support programs and operations. Fair value is based on the current cost to acquire and the sales price of comparable items.

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 for donated services have not been met.

8. CONCENTRATIONS OF CASH BALANCES ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

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 \$156,500 and \$137,500 at June 30, 2022 and 2021, respectively.

9. 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.