

The Labouré Society, Inc.

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2021**



The Labouré Society, Inc.

Table of Contents

For the Year Ended December 31, 2021

INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES.....	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-11



Boeckermann Grafstrom Mayer

Independent Auditors' Report

To the Board of Directors
The Labouré Society, Inc.
Eagan, Minnesota

Opinion

We have audited the financial statements of The Labouré Society, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Labouré Society, Inc. as of December 31, 2021, and the results of its operations 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 (GAAS). 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 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.

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 consolidated 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are 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 GAAS 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, 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 the Company'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 the Company'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 The Labouré Society, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boeckermann Grafstrom & Mayer, LLC

BOECKERMANN GRAFSTROM & MAYER, LLC
Certified Public Accountants

Minneapolis, Minnesota
October 20, 2022

The Labouré Society, Inc.
Statement of Financial Position
December 31, 2021 (With Comparative Totals for 2020)

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,989,726	\$ 1,386,492
Certificates of Deposit	1,234,032	1,949,500
Prepaid Expenses	<u>10,852</u>	<u>20,733</u>
Total Current Assets	<u>\$ 5,234,610</u>	<u>\$ 3,356,725</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	\$ 50,724	\$ 121,290
Accumulated Depreciation	<u>(21,773)</u>	<u>(88,172)</u>
Net Property and Equipment	<u>\$ 28,951</u>	<u>\$ 33,118</u>
OTHER ASSETS		
Certificates of Deposit	\$ -	\$ 980,000
TOTAL ASSETS	<u>\$ 5,263,561</u>	<u>\$ 4,369,843</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 29,293	\$ 10,380
Accrued Liabilities	13,490	11,399
PPP Loan	-	121,261
Aspirant Awards, Current Portion	<u>632,579</u>	<u>543,599</u>
Total Current Liabilities	<u>\$ 675,362</u>	<u>\$ 686,639</u>
LONG-TERM LIABILITIES		
Aspirant Awards, Net of Current Portion	<u>\$ 2,641,838</u>	<u>\$ 2,031,671</u>
NET ASSETS		
Without Donor Restrictions	<u>\$ 1,946,361</u>	<u>\$ 1,651,533</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,263,561</u>	<u>\$ 4,369,842</u>

See Independent Auditors' Report and Notes to the Financial Statements

The Labouré Society, Inc.

Statement of Activities

For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
SUPPORT AND REVENUE				
Support				
Contributions	\$ 2,927,512	\$ -	\$ 2,927,512	\$ 2,578,375
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support	<u>\$ 2,927,512</u>	<u>\$ -</u>	<u>\$ 2,927,512</u>	<u>\$ 2,578,375</u>
Revenue				
Interest Income	\$ 26,196	\$ -	\$ 26,196	\$ 47,856
Other Income	<u>121,718</u>	<u>-</u>	<u>121,718</u>	<u>267</u>
Total Revenue	<u>\$ 147,914</u>	<u>\$ -</u>	<u>\$ 147,915</u>	<u>\$ 48,123</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 3,075,426</u>	<u>\$ -</u>	<u>\$ 3,075,426</u>	<u>\$ 2,626,498</u>
EXPENSES				
Program Services	\$ 2,336,673	\$ -	\$ 2,336,673	\$ 1,852,843
Management and General	89,418	-	89,418	73,277
Fundraising	<u>354,507</u>	<u>-</u>	<u>354,507</u>	<u>314,361</u>
TOTAL EXPENSES	<u>\$ 2,780,598</u>	<u>\$ -</u>	<u>\$ 2,780,598</u>	<u>\$ 2,240,481</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 294,828	\$ -	\$ 294,828	\$ 386,017
NET ASSETS - Beginning of Year	<u>1,651,533</u>	<u>-</u>	<u>1,651,533</u>	<u>1,265,516</u>
NET ASSETS - End of Year	<u>\$ 1,946,361</u>	<u>\$ -</u>	<u>\$ 1,946,361</u>	<u>\$ 1,651,533</u>

See Independent Auditors' Report and Notes to the Financial Statements

The Labouré Society, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
Salaries, Taxes, and Benefits	\$ 647,512	\$ 59,570	\$ 266,300	\$ 973,382	\$ 754,904
Advertising and Promotion	97,639	-	14,414	112,053	147,183
Consulting Expense	211,692	-	4,320	216,012	231,485
Depreciation	9,193	-	-	9,193	12,574
Dues and Subscriptions	27,242	3,892	7,783	38,917	32,259
Facility Rental	26,507	2,528	11,745	40,780	46,632
Aspirant Awards	1,066,374	-	-	1,066,374	778,510
Insurance	9,177	2,295	-	11,472	27,153
Office Expense	108,489	6,971	36,066	151,526	96,930
Professional Services	16,320	1,557	7,231	25,108	20,800
Telecommunications	46,709	5,839	5,839	58,387	39,089
Board of Directors	-	6,477	-	6,477	128
Travel	33,212	289	809	34,310	15,384
Aspirant Training	36,609	-	-	36,609	37,450
	<u>36,609</u>	<u>-</u>	<u>-</u>	<u>36,609</u>	<u>37,450</u>
Total Expenses	<u>\$ 2,336,673</u>	<u>\$ 89,418</u>	<u>\$ 354,507</u>	<u>\$ 2,780,598</u>	<u>\$ 2,240,481</u>

See Independent Auditors' Report and Notes to the Financial Statements

The Labouré Society, Inc.
Statement of Cash Flows

For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 294,828	\$ 386,017
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	9,193	12,574
(Increase) Decrease in Cash Surrender Value of Aspirant Awards	1,548,911	810,321
Aspirant Forfeitures	(482,538)	-
PPP Loan Forgiveness	(121,261)	-
(Increase) Decrease in Operating Assets		
Prepaid Expenses	9,880	(6,383)
Increase (Decrease) in Operating Assets and Liabilities		
Accounts Payable	18,913	(5,692)
Accrued Wages	2,091	(21,345)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,280,018</u>	<u>\$ 1,175,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$ (5,026)	\$ (12,673)
(Purchase) Proceeds Certificates of Deposit	<u>1,695,468</u>	<u>171,625</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 1,690,442</u>	<u>\$ 158,952</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Plan	\$ -	\$ 121,261
Payments on Aspirant Awards	<u>(367,225)</u>	<u>(679,141)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (367,225)</u>	<u>\$ (557,880)</u>
INCREASE (DECREASE) IN CASH	\$ 2,603,235	\$ 776,564
CASH - Beginning of Year	<u>1,386,492</u>	<u>609,928</u>
CASH - End of Year	<u>\$ 3,989,726</u>	<u>\$ 1,386,492</u>

See Independent Auditors' Report and Notes to the Financial Statements

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Labouré Society, Inc. (the Organization) exists to provide financial assistance and spiritual support to men and women, who must resolve student loans in order to pursue their vocation to priesthood and/or religious life in the Catholic Church.

Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. During the year ended December 31, 2021, the Organization had no unrelated business income.

The Financial Accounting Standards Board (FASB) issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for the years before 2018. Interest and penalties are classified as expense as incurred.

Revenue Recognition

The Organization adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*. The Organization recognizes revenue in accordance with ASC Topic 606, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Contributions are recorded when received and recognized as support in the period received, in accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Revenue Recognition - Contributions*. If donor-imposed restrictions accompany the contribution, the amount is recorded as donations with restrictions until the donor-imposed restrictions expire or are fulfilled, unless the restrictions expire or are fulfilled in the same calendar year the contribution is received, in which case the contribution is recorded as donations without restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled.

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

Contributed services (donated services) have been reflected in the accompanying financial statements as part of consulting services provided in the amount of \$213,622 for the year ended December 31, 2021.

Contributions

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

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Property and Equipment

Expenditures for property and equipment are capitalized at cost. Donated assets to be used in the Organization are capitalized at their fair market value on the date of the donation.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets which have been determined to be three to seven years.

Financial Statement Presentation

In accordance with U.S. generally accepted accounting principles, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Statement of Cash Flows

For the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At times, cash and equivalents may be in excess of FDIC insurance limits. No taxes or interest were paid for the year ended December 31, 2021.

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expense

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 based upon time and effort studies.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Organization expenses all advertising costs as incurred.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Management is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Reclassifications

Certain reclassifications have been made in the 2020 financial statements to conform to the classifications used in 2021.

Subsequent Events

The Organization has evaluated subsequent events through October 20, 2022, the date the financial statements were available to be issued.

NOTE 2: LIQUIDITY

The Organization has \$5,223,758 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditure, consisting of cash of \$3,989,726 and certificates of deposit of \$1,234,032. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization regularly monitors liquidity required to meet its operational needs.

The Labouré Society, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE 3: LONG-TERM DEBT

Long-term debt at December 31, 2021 consisted of the following:

Aspirant Awards – Awarded to aspirants who have completed program requirements. Payments are remitted in monthly installments over a period of thirty-six months of active formation. The balance of the aspirants' awards are remitted on a thirty-seven month period or cancelled/paused immediately when the aspirant leaves formation. The term will not exceed thirty-seven months with 0% interest. Under normal policy the aspirants are allowed a twenty-four month grace period from the completion of their last class to their entrance into formation. The policy for exception circumstances allows for two twelve-month leave of absences (following entrance into formation and if required) to ensure canonical freedom of discernment, resolution of family issues, or the treatment of health concerns.

	\$ 3,274,417
Less Current Portion	<u>632,579</u>
Long-Term Debt, Less Current Portion	<u>\$ 2,641,838</u>

Maturities of long-term debt at December 31, 2021 were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 632,579
2023	988,779
2024	712,321
2025	542,467
2026	398,271
Total	<u>\$ 3,274,417</u>

NOTE 4: PPP LOAN

The Organization obtained a Paycheck Protection Program (PPP) loan in the amount of \$121,261 on April 23, 2020 to help cover the cost of payroll. Monthly payments begin on October 23, 2020 with an interest rate at 1.00%. The loans mature on September 23, 2022. The loan has a forgiveness clause that was approved on February 18, 2021.

NOTE 5: LEASE AGREEMENT

The Organization entered into a facilities lease agreement in October 2022 for a period of three years. The rental rate is \$1,959 per month, plus operating costs.

The following is a listing of future minimum lease payments:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 23,511
2023	23,511
2024	23,511
2025	19,593
	<u>\$ 90,126</u>

Rent expense was \$40,780 for the year ended December 31, 2021.

NOTE 6: ADVERTISING

The Organization used advertising to promote its mission among the audiences it serves. The costs of advertising are expensed as incurred. For the year ended December 31, 2021, advertising expense totaled \$112,053.

NOTE 7: CONTINGENCIES

Substantially all support is received in the form of contributions from various individuals, corporations, and foundations; therefore, the continuation of the programs of the Organization is dependent upon future funding.

NOTE 8: SUBSEQUENT EVENT

In 2022, The Labouré Fund, LLC, whose sole member is The Labouré Society, Inc. was formed, to engage in, advance, support, promote and administer the charitable, educational and religious causes and projects of The Labouré Society, Inc., principally by managing the funds dedicated by the Society to Aspirant awards.

See Note 5 for updated lease agreement.