

The Labouré Society, Inc.

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2019**



The Labouré Society, Inc.

Table of Contents

For the Year Ended December 31, 2019

INDEPENDENT AUDITORS' REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS.....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7-12



Boeckermann Grafstrom Mayer

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying statements of financial position of The Labouré Society, Inc. (a nonprofit corporation) as of December 31, 2019, 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.

Auditors' 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 combined financial statements are free of 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 entity'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 entity'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 The Labouré Society, Inc. as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited The Labouré Society, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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
July 15, 2020

The Labouré Society, Inc.
Statements of Financial Position
December 31, 2019 (With Comparative Totals for 2018)

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 609,928	\$ 977,218
Certificates of Deposit	2,856,125	-
Accounts Receivable	-	1,857
Prepaid Expenses	<u>14,351</u>	<u>16,011</u>
Total Current Assets	<u>\$ 3,480,404</u>	<u>\$ 995,086</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	\$ 142,447	\$ 110,830
Accumulated Depreciation	<u>(109,428)</u>	<u>(83,869)</u>
Net Property and Equipment	<u>\$ 33,019</u>	<u>\$ 26,961</u>
OTHER ASSETS		
Certificates of Deposit	<u>\$ 245,000</u>	<u>\$ 2,220,012</u>
TOTAL ASSETS	<u>\$ 3,758,423</u>	<u>\$ 3,242,059</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 16,072	\$ 27,341
Accrued Liabilities	32,745	25,033
Aspirant Awards, Current Portion	<u>714,176</u>	<u>575,466</u>
Total Current Liabilities	<u>\$ 762,993</u>	<u>\$ 627,840</u>
LONG-TERM LIABILITIES		
Aspirant Awards, Net of Current Portion	<u>\$ 1,729,914</u>	<u>\$ 1,688,291</u>
NET ASSETS		
Without Donor Restrictions	<u>\$ 1,265,516</u>	<u>\$ 925,928</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,758,424</u>	<u>\$ 3,242,059</u>

See Independent Auditors' Report and Notes to the Financial Statements

The Labouré Society, Inc.

Statements of Activities

For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
SUPPORT AND REVENUE				
Support				
Contributions	\$ 2,606,354	\$ -	\$ 2,606,354	\$ 2,257,185
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support	<u>\$ 2,606,354</u>	<u>\$ -</u>	<u>\$ 2,606,354</u>	<u>\$ 2,257,185</u>
Revenue				
Interest Income	\$ 73,446	\$ -	\$ 73,446	\$ 32,767
Other Income	<u>134</u>	<u>-</u>	<u>134</u>	<u>226</u>
Total Revenue	<u>\$ 73,580</u>	<u>\$ -</u>	<u>\$ 73,580</u>	<u>\$ 32,992</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 2,679,934</u>	<u>\$ -</u>	<u>\$ 2,679,934</u>	<u>\$ 2,290,177</u>
EXPENSES				
Program Services	\$ 1,977,812	\$ -	\$ 1,977,812	\$ 1,480,966
Management and General	64,114	-	64,114	50,371
Fundraising	<u>298,420</u>	<u>-</u>	<u>298,420</u>	<u>295,402</u>
TOTAL EXPENSES	<u>\$ 2,340,346</u>	<u>\$ -</u>	<u>\$ 2,340,346</u>	<u>\$ 1,826,739</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 339,588	\$ -	\$ 339,588	\$ 463,438
NET ASSETS - BEGINNING	<u>925,928</u>	<u>-</u>	<u>925,928</u>	<u>462,490</u>
NET ASSETS - ENDING	<u>\$ 1,265,516</u>	<u>\$ -</u>	<u>\$ 1,265,516</u>	<u>\$ 925,928</u>

See Independent Auditors' Report and Notes to the Financial Statements

The Labouré Society, Inc.

Statements of Functional Expenses

For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Salaries, Taxes, and Benefits	\$ 487,352	\$ 47,368	\$ 201,228	\$ 735,948	\$ 618,042
Advertising and Promotion	169,933	-	39,614	209,547	268,670
Consulting Expense	275,919	-	5,631	281,550	252,391
Depreciation	25,559	-	-	25,559	23,630
Dues and Subscriptions	3,914	559	1,118	5,591	3,619
Facility Rental	11,604	1,107	5,141	17,852	15,640
Aspirant Awards	685,723	-	-	685,723	466,106
Insurance	7,459	1,600	759	9,818	8,350
Office Expense	48,134	3,290	14,317	65,741	45,086
Professional Services	26,527	2,530	11,753	40,810	7,890
Telecommunications	4,051	506	506	5,063	6,143
Board of Directors	-	576	-	576	760
Travel	40,595	6,493	18,182	65,270	47,539
Website Expense	106,529	85	171	106,785	11,723
Aspirant Training	84,513	-	-	84,513	51,150
Total Expenses	<u>\$ 1,977,812</u>	<u>\$ 64,114</u>	<u>\$ 298,420</u>	<u>\$ 2,340,346</u>	<u>\$ 1,826,739</u>

See Independent Auditors' Report and Notes to the Financial Statements

The Labouré Society, Inc.
Statements of Cash Flows

For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 339,588	\$ 463,438
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	25,559	23,630
(Increase) Decrease in Cash Surrender Value of Aspirant Awards	982,334	718,784
Aspirant Forfeitures	(272,069)	(252,640)
(Increase) Decrease in Operating Assets		
Accounts Receivable	1,857	(1,795)
Prepaid Expenses	1,659	(9,831)
Increase (Decrease) in Operating Assets and Liabilities		
Accounts Payable	(11,269)	1,966
Accrued Wages	7,713	1,881
	<u>1,075,373</u>	<u>945,433</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,075,373</u>	<u>\$ 945,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$ (31,617)	\$ -
(Purchase) Proceeds Certificates of Deposit	<u>(881,113)</u>	<u>(1,969,739)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (912,730)</u>	<u>\$ (1,969,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Aspirant Awards	<u>\$ (529,932)</u>	<u>\$ (434,337)</u>
INCREASE (DECREASE) IN CASH	\$ (367,289)	\$ (1,458,643)
CASH - Beginning of Year	<u>977,218</u>	<u>2,435,861</u>
CASH - End of Year	<u>\$ 609,929</u>	<u>\$ 977,218</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 and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. During the year ended December 31, 2019, 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 2016. Interest and penalties are classified as expense as incurred.

Revenue Recognition

As of January 1, 2019, the Organization adopted 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

The Organization is using the modified retrospective method of adoption. The cumulative net impact of adopting ASC Topic 606 has been determined to be immaterial.

Contributions are recorded when received and recognized as support in the period received, in accordance with 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 have been reflected in the accompanying financial statements as consulting services provided for \$256,500 for the year ended December 31, 2019.

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, 2018, 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, 2019.

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. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. 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 2018 financial statements to conform to the classifications used in 2019.

Subsequent Events

The Organization has evaluated subsequent events through July 15, 2020, the date the financial statements were available to be issued.

The Labouré Society, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 2: LIQUIDITY

The Organization has \$3,466,053 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 \$609,928, and certificates of deposit of \$2,856,125. 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.

NOTE 3: LONG-TERM DEBT

Long-term debt at December 31, 2019 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 one twelve-month leave of absence (following entrance into formation and if required) to ensure canonical freedom of discernment resolution of family issues or the treatment of health concerns.	\$ 2,444,090
Less Current Portion	<u>714,176</u>
Long-Term Debt, Less Current Portion	<u>\$ 1,729,914</u>

Maturities of long-term debt at December 31, 2019 were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 714,176
2021	362,446
2022	581,440
2023	<u>786,028</u>
Total	<u>\$ 2,444,090</u>

NOTE 4: LEASE AGREEMENT

The Organization entered into a facilities lease agreement in November 2019 for a period of three years. The rental rate ranges from \$1,383 to \$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>
2020	\$ 17,172
2021	20,630
2022	<u>19,593</u>
Total	<u>\$ 57,395</u>

Rent expense was \$17,852 for the year ended December 31, 2019.

NOTE 5: 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, 2019, advertising expense totaled \$209,547.

NOTE 6: 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 7: SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. The Organization is assessing the impact on revenue and expenses. Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

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 October 23, 2020 with an interest rate at 1.00%. The loans mature September 23, 2022. The loans have a forgiveness clause if used for qualified expenditures.