

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**



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YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
St. Matthew's House, Inc. and Affiliates  
Naples, Florida

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of St. Matthew's House, Inc. and Affiliates (collectively, the "Organization"), a nonprofit corporation, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and 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 Auditors' 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

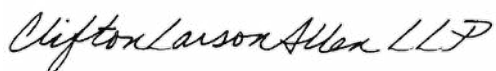
***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



**CliftonLarsonAllen LLP**

Naples, Florida  
October 21, 2022

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

**ASSETS**

|  |                             |
|--|-----------------------------|
| Cash and Cash Equivalents                    | \$ 3,773,039                |
| Accounts Receivable                          | 206,043                     |
| Grants Receivable                            | 15,083                      |
| Inventory                                    | 488,864                     |
| Unconditional Promises to Give, Net          | 60,042                      |
| Prepaid Expenses and Other Assets            | 526,781                     |
| Investments                                  | 1,563,445                   |
| Beneficial Interest in Assets Held by Others | 173,676                     |
| Property and Equipment, Net                  | <u>41,565,318</u>           |
| Total Assets                                 | <u><u>\$ 48,372,291</u></u> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|                                       |                  |
|---------------------------------------|------------------|
| Accounts Payable and Accrued Expenses | \$ 1,867,301     |
| Residents' Deposits                   | 21,287           |
| Deferred Revenue                      | 32,066           |
| Capital Lease Obligations             | 28,563           |
| Notes Payable                         | <u>4,375,957</u> |
| Total Liabilities                     | <u>6,325,174</u> |

**NET ASSETS**

|                                      |                             |
|--------------------------------------|-----------------------------|
| Without Donor Restrictions:          |                             |
| Undesignated                         | 4,443,611                   |
| Investment in Property and Equipment | <u>37,160,798</u>           |
| Total Without Donor Restrictions     | 41,604,409                  |
| With Donor Restrictions:             |                             |
| Purpose Restricted                   | 370,719                     |
| Time Restricted                      | <u>71,989</u>               |
| Total With Donor Restrictions        | <u>442,708</u>              |
| Total Net Assets                     | <u>42,047,117</u>           |
| Total Liabilities and Net Assets     | <u><u>\$ 48,372,291</u></u> |

*See accompanying Notes to Consolidated Financial Statements.*

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---------------------------------------|-------------------------------|----------------------------|---------------|
| <b>SUPPORT</b>                        |                               |                            |               |
| Contributions - General               | \$ 8,529,453                  | \$ 129,686                 | \$ 8,659,139  |
| Contributions - Capital Campaigns     | -                             | 1,279,207                  | 1,279,207     |
| Grants                                | 804,151                       | 567,029                    | 1,371,180     |
| In-Kind Contributions - Food Pantry   | 11,050,001                    | -                          | 11,050,001    |
| In-Kind Contributions - Thrift Store  | 6,219,081                     | -                          | 6,219,081     |
| Special Events, Net                   | 977,375                       | -                          | 977,375       |
| Total Support                         | 27,580,061                    | 1,975,922                  | 29,555,983    |
| <b>REVENUE</b>                        |                               |                            |               |
| Thrift Shop Revenue                   | 10,287,067                    | -                          | 10,287,067    |
| Less: Cost of Goods Sold              | (6,434,735)                   | -                          | (6,434,735)   |
| Fresh Start Café                      | 325,523                       | -                          | 325,523       |
| Catering Services                     | 371,910                       | -                          | 371,910       |
| Rental Income                         | 797,811                       | -                          | 797,811       |
| Program Services                      | 354,485                       | -                          | 354,485       |
| Investment Loss                       | (219,861)                     | -                          | (219,861)     |
| Other Income                          | 284,270                       | -                          | 284,270       |
| Total Revenue                         | 5,766,470                     | -                          | 5,766,470     |
| Net Assets Released from Restrictions | 2,030,554                     | (2,030,554)                | -             |
| Total Support and Revenue             | 35,377,085                    | (54,632)                   | 35,322,453    |
| <b>EXPENSES</b>                       |                               |                            |               |
| Program Services                      | 19,421,907                    | -                          | 19,421,907    |
| Management and General                | 3,442,840                     | -                          | 3,442,840     |
| Fundraising                           | 2,130,371                     | -                          | 2,130,371     |
| Total Operating Expenses              | 24,995,118                    | -                          | 24,995,118    |
| Thrift Shop, Car Wash, and Cafes      | 7,996,823                     | -                          | 7,996,823     |
| Properties                            | 296,852                       | -                          | 296,852       |
| Oxbow Hospitality                     | 1,036,717                     | -                          | 1,036,717     |
| Total Expenses                        | 34,325,510                    | -                          | 34,325,510    |
| <b>CHANGE IN NET ASSETS</b>           | 1,051,575                     | (54,632)                   | 996,943       |
| Net Assets - Beginning of Year        | 40,552,834                    | 497,340                    | 41,050,174    |
| <b>NET ASSETS - END OF YEAR</b>       | \$ 41,604,409                 | \$ 442,708                 | \$ 42,047,117 |

See accompanying Notes to Consolidated Financial Statements.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

|   | Program Services     | Supporting Services    |                                  | Total Supporting Services | Fundraising         | Properties        | Oxbow Hospitality   | Total                |
|---|----------------------|------------------------|----------------------------------|---------------------------|---------------------|-------------------|---------------------|----------------------|
|   |                      | Management and General | Thrift Shop, Car Wash, and Cafés |                           |                     |                   |                     |                      |
| Advertising   | \$ 8,797             | \$ 60                  | \$ 4,920                         | \$ 4,980                  | \$ 85,794           | \$ -              | \$ 500              | \$ 100,071           |
| Auto and Travel   | 319,844              | 20,956                 | 392,252                          | 413,208                   | 16,809              | -                 | 3,401               | 753,262              |
| Bad Debt Expense  | 148,461              | -                      | 1,800                            | 1,800                     | 27,986              | -                 | -                   | 178,247              |
| Computer and Technology   | 39,898               | 236,391                | 35,035                           | 271,426                   | 30,686              | -                 | 4,487               | 346,497              |
| Depreciation and Amortization                                       | 935,436              | 222,719                | 245,334                          | 468,053                   | 342                 | 191,460           | 10,012              | 1,605,303            |
| Food and Vending Supplies   | 697,037              | 13,446                 | 6,160                            | 19,606                    | 66,820              | -                 | 58,944              | 842,407              |
| In-Kind Food Donations  | 10,858,557           | -                      | -                                | -                         | -                   | -                 | -                   | 10,858,557           |
| In-Kind Thrift Cost of Goods Sold                                   | 6,434,735            | -                      | -                                | -                         | -                   | -                 | -                   | 6,434,735            |
| Interest  | 49,407               | 6,951                  | 94,081                           | 101,032                   | -                   | -                 | 1,100               | 151,539              |
| Marketing   | 16,432               | 37,944                 | 10,100                           | 48,044                    | 638,722             | -                 | -                   | 703,198              |
| Occupancy   | 1,597,342            | 129,635                | 863,047                          | 992,682                   | 3,637               | 98,949            | 316,498             | 3,009,108            |
| Office Expense  | 466,248              | 267,390                | 514,611                          | 782,001                   | 109,116             | 5,530             | 65,973              | 1,428,868            |
| Other   | 12,686               | 28,233                 | 204,507                          | 232,740                   | -                   | -                 | 82,670              | 328,096              |
| Professional Fees   | 22,406               | 185,322                | -                                | 185,322                   | 3,021               | 913               | 1,250               | 212,912              |
| Resident and Client Assistance                                      | 266,291              | -                      | -                                | -                         | 3,313               | -                 | -                   | 269,604              |
| Salaries and Benefits   | 3,983,065            | 2,293,793              | 5,624,976                        | 7,918,769                 | 1,144,125           | -                 | 491,882             | 13,537,841           |
| Subtotal  | 25,856,642           | 3,442,840              | 7,996,823                        | 11,439,663                | 2,130,371           | 296,852           | 1,036,717           | 40,760,245           |
| Less: Expenses Included with Revenue on the Statement of Activities | (6,434,735)          | -                      | -                                | -                         | -                   | -                 | -                   | (6,434,735)          |
| Total   | <u>\$ 19,421,907</u> | <u>\$ 3,442,840</u>    | <u>\$ 7,996,823</u>              | <u>\$ 11,439,663</u>      | <u>\$ 2,130,371</u> | <u>\$ 296,852</u> | <u>\$ 1,036,717</u> | <u>\$ 34,325,510</u> |

See accompanying Notes to Consolidated Financial Statements.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

|   |                            |
|---|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |
| Change in Net Assets  | \$ 996,943                 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |                            |
| Depreciation and Amortization   | 1,605,303                  |
| Loss on Disposition of Property and Equipment   | 35,327                     |
| Contribution Received of Marketable Securities  | (181,585)                  |
| Charitable Gift Annuity Maturity  | (132,997)                  |
| Unrealized Loss on Investments  | 328,440                    |
| Realized Gains on Investments   | (51,142)                   |
| Decrease in Value of Beneficial Interests   | 22,512                     |
| Change in Allowance of Uncollectible Pledges  | (344,549)                  |
| Change in Net Present Value Discount on Promises to Give                                    | 10,426                     |
| Amortization of Debt Issuance Costs   | 13,923                     |
| (Increase) Decrease in Current Assets:  |                            |
| Accounts Receivable   | (105,376)                  |
| Pledges Receivable  | 336,360                    |
| Grants Receivable   | 6,092                      |
| Inventory   | 41,980                     |
| Prepaid Expenses and Other Assets   | 107,449                    |
| Increase (Decrease) in Current Liabilities:   |                            |
| Accounts Payable and Accrued Expenses   | 273,241                    |
| Residents' Deposits   | 7,700                      |
| Deferred Revenue  | (989,109)                  |
| Net Cash Provided by Operating Activities   | <u>1,980,938</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |
| Purchase of Property and Equipment  | (4,123,946)                |
| Purchases of Investments  | (846,466)                  |
| Proceeds from Sale of Investments   | 959,707                    |
| Net Cash Used by Investing Activities   | <u>(4,010,705)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                            |
| Principal Payments on Notes Payable   | (181,975)                  |
| Principal Payments on Capital Lease   | (53,585)                   |
| Proceeds from Issuance Long-Term Debt   | 1,000,000                  |
| Net Cash Provided by Financing Activities   | <u>764,440</u>             |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | (1,265,327)                |
| Cash and Cash Equivalents - Beginning of Year   | <u>5,038,366</u>           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <u><u>\$ 3,773,039</u></u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |                            |
| Interest Paid   | <u><u>\$ 151,539</u></u>   |

See accompanying Notes to Consolidated Financial Statements.



**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 NATURE OF OPERATIONS**

St. Matthew's House, Inc. and Affiliates (collectively, the "Organization") is comprised of St. Matthew's House, Inc. (SMH) and its affiliates under common control: St. Matthew's Properties of Southwest Florida, Inc. (SMH Properties) and Oxbow Hospitality, Inc. (Oxbow).

SMH, a nonprofit corporation, was formed in December 1988. The corporation is a faith-based, Christian organization that is organized and operated exclusively for charitable and religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (IRC), specifically to provide and operate housing and shelter for the homeless, indigent and needy in Southwest Florida without regard to race, age, color, creed, gender or national origin; promote the general social welfare of the communities in which it serves by providing related facilities and social services such as consultation and referrals to those in need of temporary or emergency shelter; assist those who seek to end their addiction to drugs and alcohol; and share the love of God by word and deed and by other community services consistent with the tax-exempt purposes of the corporation and as deemed appropriate by the board of directors.

SMH operates 104-bed and 44-bed shelters in Naples and Immokalee, respectively. The operations of SMH also include the "Wolfe Apartments," a 46-unit transitional housing facility in Naples. These facilities operate men and women's recovery programs that offer temporary housing in a drug and alcohol-free community. Furthermore, the operations also support a feeding ministry that provides more than 500,000 hot meals and over 194,000 bags of groceries each year. SMH is supported primarily through its seven thrift stores, donor contributions and grants, rent and program fees charged to residents, special events, a food catering operation, Lulu's kitchen, and a car wash and detailing center.

SMH Properties, a nonprofit corporation, was formed in October 2011 and is wholly owned by SMH. The corporation's primary purpose is to advance the mission of SMH. In May 2014, it purchased the Port Labelle Inn, a 47-room hotel located on approximately eight acres in Labelle, Florida, including meeting rooms and a restaurant. SMH Properties rents the building and the land out to Oxbow.

Oxbow, a for-profit corporation, was formed in April 2014 and is wholly owned by SMH. The corporation's primary purpose is to advance the mission of SMH. Oxbow rents the Port Labelle Inn from SMH Properties and operates the hotel as a conference and retreat center. Oxbow also leases one of its floors to SMH for the Justin's Place Recovery Program residents.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Organization after elimination of intercompany accounts and transactions.

**Basis of Accounting**

The accounts of the Organization are maintained, and the accompanying consolidated financial statements have been prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

**Beneficial Interests in Assets Held by Others**

Beneficial interests in assets held by others are recorded at fair value. Interest income and market value change earned on the beneficial interest is recorded in the Organization's consolidated statement of activities.

**Income Taxes**

SMH and SMH Properties are exempt from income taxes under the provisions of IRC Section 501(c)(3) and are treated as other than a private foundation within the meaning of Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made in these consolidated financial statements.

Oxbow is a for-profit Florida corporation. Current income taxes are based on the year's taxable income for federal and state income tax reporting purposes. Deferred income taxes, if any, are provided on timing differences in recognizing income for financial statement and tax purposes. As of June 30, 2022, there are no deferred tax assets or liabilities and there is no current income tax payable.

The Organization follows the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. This standard has no impact on the Organization's financial statements.

The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. An Exempt Organization Business Income Tax Return (Form 990) is filed annually by the Organization.

**Financial Statement Presentation**

The accompanying consolidated financial statements have been prepared in accordance with the reporting principles of nonprofit accounting.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization 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 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.

**Liquidity**

Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Organization considers all bank and similar deposits, demand accounts, money market funds, and short-term investments with a maturity of three months or less when acquired to be cash equivalents.

The Organization maintains bank accounts with balances, which, at times, may exceed federally insured limits.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based upon its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

In addition, management provides work waivers to certain residents with outstanding balances with related balances written off through a charge to program fees and a credit to accounts receivable.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unconditional Promises to Give, Net**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is to be received. Conditional promises to give are not included in support until such time as the conditions are substantially met.

Additionally, the Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Inventory**

Inventory consists of donated items received by the Organization for resale in its thrift shops and inventory items for sale in the café. Purchased inventory is recorded at the lower of cost or net realizable value. The Organization's method for valuing its donated inventory varies depending on the nature, condition or quality of the donated items. Donated goods in the thrift shop stores are valued based on the costs associated with selling the goods. The inventory balance recorded at year-end is the estimated fair market value of donated items on hand at the end of the year.

**Investments**

Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received. Investment securities are reflected at market value and realized and unrealized gains and losses are recognized as changes in net assets - without donor restrictions unless restricted by the donor, in which case the amounts are reflected as donor restrictions until expended according to the donors' stipulations.

**Fair Value Measurement**

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (Continued)**

The fair value hierarchy consists of three levels of inputs used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2022.

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment is depreciated using the straight-line method calculated over the estimated useful lives of 5 through 39 years. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

The Organization earns operating revenue from various sources including sale of donated items in thrift stores as well as lease and rental of its properties. Proceeds from these activities are used to support and enhance the Organization's charitable purposes. Revenue is considered earned when the Organization's performance obligations have been satisfied by providing goods or services in exchange for receipt of monetary consideration.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets donor restricted, depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Functional Expenses**

The costs of providing program and support services have been summarized on a functional basis in the consolidated statement of activities. The expenses that are charged directly to program or support services are based on management's estimate of resources expended.

**Estimates**

The preparation of consolidated 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 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.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through, October 21, 2022, the date the financial statements were available to be issued.

**Change in Accounting Principle**

The Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in 2022. ASU 2020-07 does not change revenue measurement or recognition criteria but rather serves to enhance presentation and disclosures. Under the ASU, contributions in-kind are separately presented on the consolidated statement of activities. Additionally, disclosures are included that describe nature of each category of contributed nonfinancial asset.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 LIQUIDITY AND AVAILABILITY**

The Organization routinely monitors liquidity to meet its operating needs and other contractual commitments. The Organization considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures, the Organization operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's financial assets that are available within one year of the balance sheet date for general expenditures are as follows:

|   |                            |
|---|----------------------------|
| Cash and Cash Equivalents                                   | \$ 3,773,039               |
| Accounts Receivable   | 206,043                    |
| Investments   | 1,563,445                  |
| Unconditional Promises to Give - Due in One<br>Year or Less | 14,682                     |
| Less: Net Assets with Donor Restrictions                    | <u>(442,708)</u>           |
| Total   | <u><u>\$ 5,114,501</u></u> |

**NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The Organization transferred funds to the Community Foundation of Collier County for investment purposes. The Community Foundation of Collier County holds variance power over the funds and is holding the funds for the benefit of the Organization. Future benefits of these funds remain on the books of the Organization as the funds were originally donated to the Organization. The amounts are recorded at fair value in the consolidated statement of financial position.

**NOTE 5 IN-KIND CONTRIBUTIONS**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program services, thrift shop, and fundraising campaigns. During the year ended June 30, 2022, the Organization received approximately 25,000 volunteer hours. No dollar value has been assigned to these contributions because the criteria for recognition of such volunteer efforts have not been satisfied and therefore these contributions are not reflected in the accompanying financial statements. In-kind contributions include contributed services that are specialized and the Organization would otherwise have purchased if not donated; therefore, meeting the criteria for recognition. For the year ended June 30, 2022, donated services were valued at \$37,673.

The Organization also receives donated food pantry items from the food banks and the community to assist in the Organization's program services. The method of calculating the value of the donated items utilizes the U.S. Department of Agriculture's average of most expensive vegetables and least expensive vegetables and multiplying it by the pounds of donated food. During the year ended June 30, 2022, the Organization received approximately \$11,012,328 worth of food pantry items.

Total in-kind contributions for the food pantry totaled \$11,050,001 for the year ended June 30, 2022.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
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**NOTE 5 IN-KIND CONTRIBUTIONS (CONTINUED)**

The Organization also receives donated goods for sale from the community to assist in the Organization's program services. These donated goods are recorded in support in the accompanying consolidated statements based on the costs associated with selling the donated material. During the year ended June 30, 2022, the Organization received \$6,219,081 in goods sold in the thrift store.

**NOTE 6 UNCONDITIONAL PROMISES TO GIVE, NET**

Unconditional promises to give, net, at June 30, 2022 are reflected at the present value of estimated cash flows using a discount rate of 3.98% as follows:

|  |                  |
|--|------------------|
| Unconditional Promises to Give             | \$ 82,076        |
| Less: Discount to Net Present Value        | (11,947)         |
| Less: Allowance for Uncollectible Promises | (10,087)         |
| Total                                      | <u>\$ 60,042</u> |

Unconditional promises to give are scheduled to be received as follows at June 30, 2022:

|                  |                  |
|------------------|------------------|
| Less than 1 Year | \$ 14,682        |
| 1 to 5 Years     | 67,394           |
| Total            | <u>\$ 82,076</u> |

**NOTE 7 INVESTMENTS**

Investments are comprised of the following at June 30, 2022:

|                         | <u>Cost</u>         | <u>Market</u>       |
|-------------------------|---------------------|---------------------|
| Equity Securities       | \$ 791,020          | \$ 927,424          |
| Fixed Income Securities | 721,567             | 636,021             |
| Total                   | <u>\$ 1,512,587</u> | <u>\$ 1,563,445</u> |

Investment earnings for the year ended June 30, 2022 were comprised of:

|                                |                     |
|--------------------------------|---------------------|
| Unrealized Loss on Investments | \$ (350,952)        |
| Realized Gain on Investments   | 51,142              |
| Interest and Dividend Earnings | 99,062              |
| Investment Expenses            | (19,113)            |
| Total                          | <u>\$ (219,861)</u> |



**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
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**NOTE 8 FAIR VALUE MEASUREMENT**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2022:

|  | <u>Level 1</u>    | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>        |
|--|-------------------|-------------------|----------------|---------------------|
| Investments:                                     |                   |                   |                |                     |
| Equity Securities                                | \$ 927,424        | \$ -              | \$ -           | \$ 927,424          |
| Fixed Income Securities                          | -                 | 636,021           | -              | 636,021             |
| Beneficial Interests in Assets<br>Held by Others | -                 | -                 | 173,676        | 173,676             |
| Total  | <u>\$ 927,424</u> | <u>\$ 636,021</u> | <u>\$ -</u>    | <u>\$ 1,737,121</u> |

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets as well as the valuation methodology for the year ended June 30, 2022:

|                             |                   |
|-----------------------------|-------------------|
| Balance - Beginning of Year | \$ 196,188        |
| Change in Value             | <u>(22,512)</u>   |
| Balance - End of Year       | <u>\$ 173,676</u> |

| <u>Instrument</u>             | <u>Fair Value</u> | <u>Principal<br/>Valuation<br/>Technique</u> | <u>Unobservable<br/>Inputs</u>                                     |
|-------------------------------|-------------------|--|--|
| Beneficial Interest in Assets | \$ 173,676        | Market Price<br>at Close of<br>Business      | Amount and Timing of<br>Distributions from Community<br>Foundation |

**NOTE 9 PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, at June 30, 2022 consisted of the following:

|                                |                      |
|--------------------------------|----------------------|
| Buildings                      | \$ 27,083,482        |
| Land                           | 11,931,928           |
| Equipment and Furniture        | 3,100,572            |
| Vehicles                       | 669,214              |
| Leasehold Improvements         | 6,955,604            |
| Construction in Progress       | <u>1,914,206</u>     |
| Subtotal                       | 51,655,006           |
| Less: Accumulated Depreciation | <u>(10,089,688)</u>  |
| Total                          | <u>\$ 41,565,318</u> |

Depreciation expense for the year ended June 30, 2022 was \$1,605,303.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
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**NOTE 10 LINE OF CREDIT**

The Organization has a line of credit with a financial institution in the amount of \$2,500,000 that is collateralized by all business assets and carries a fixed interest rate of 3.01% as of June 30, 2022. The Organization did not have a balance on the line of credit at June 30, 2022.

**NOTE 11 CAPITAL LEASE OBLIGATIONS**

Capital lease obligations at June 30, 2022 were as follows:

|  |           |               |
|--|-----------|---------------|
| Capital Lease Obligation, Maturing July 2022:      |           |               |
| Monthly Payment of \$59                            | \$        | 59            |
| Capital Lease Obligation, Maturing October 2022:   |           |               |
| Monthly Payment of \$416                           |           | 1,651         |
| Capital Lease Obligation, Maturing July 2023:      |           |               |
| Monthly Payment of \$928                           |           | 11,723        |
| Capital Lease Obligation, Maturing October 2023:   |           |               |
| Monthly Payment of \$683                           |           | 8,630         |
| Capital Lease Obligation, Maturing September 2023: |           |               |
| Monthly Payment of \$450                           |           | 6,500         |
| Total  | <u>\$</u> | <u>28,563</u> |

Minimum future lease payments for the capital lease are as follows:

| <u>Year Ending June 30,</u>        | <u>Amount</u>    |
|------------------------------------|------------------|
| 2023                               | \$ 26,455        |
| 2024                               | <u>5,010</u>     |
| Total Minimum Lease Payments       | 31,465           |
| Less: Amount Representing Interest | <u>(2,902)</u>   |
| Capital Lease Obligation           | <u>\$ 28,563</u> |

The related equipment is recorded in property and equipment at June 30, 2022 at \$134,640 with accumulated depreciation of \$70,919.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
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**NOTE 12 NOTES PAYABLE**

Notes payable at June 30, 2022 and consist of the following:

| <u>Description</u>  | <u>Amount</u>              |
|---|----------------------------|
| Note payable to a financial institution, bearing interest at 3.15%, secured by property. Monthly payments of principal and interest due through maturity in May 2023.                                 | \$ 1,216,173               |
| Note payable to a financial institution, bearing interest at 3.00%, secured by real and personal property. Monthly payments of principal and interest due through maturity in December 2025.          | 2,161,090                  |
| Note payable to a financial institution, bearing interest at 3.50%, secured by property purchased through the loan. Monthly payments of principal and interest due through maturity in November 2031. | 985,247                    |
| Note payable to a financial institution, bearing interest at 9.869%, secured by equipment. Monthly payments of principal and interest due through maturity in August 2022.                            | 2,706                      |
| Note payable to a financial institution, bearing interest at 5.40%, secured by equipment. Quarterly payments of principal and interest due through maturity in August 2023.                           | <u>29,099</u>              |
| Total Notes Payable   | 4,394,315                  |
| Less: Unamortized Debt Issuance Costs   | <u>(18,358)</u>            |
| Total Notes Payable, Net  | <u><u>\$ 4,375,957</u></u> |

Aggregate future principal payments of the notes payable are due as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>              |
|-----------------------------|----------------------------|
| 2023                        | \$ 1,314,827               |
| 2024                        | 111,565                    |
| 2025                        | 115,408                    |
| 2026                        | 1,934,812                  |
| 2027                        | 29,786                     |
| Thereafter                  | 887,917                    |
| Total Debt Maturities       | <u><u>\$ 4,394,315</u></u> |

Interest expense for the year ended June 30, 2022 totaled \$151,539.

The notes payable are subject to certain covenants as defined in the loan agreements. Management believes the Organization was in compliance with all covenants as of June 30, 2022.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
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**NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods. Net assets with donor restrictions consist of the following at June 30, 2022:

|  |                   |
|--|-------------------|
| Subject to the Passage of Time:              |                   |
| Unconditional Promises to Give, Net          | \$ 71,989         |
| Subject to Restriction for Specific Purpose: |                   |
| Capital Campaign                             | 225,094           |
| Women's Recovery                             | 17,000            |
| Shelters                                     | 122,593           |
| Other Various Purposes                       | 6,032             |
| Total  | <u>\$ 442,708</u> |

Net assets released from donor-imposed restrictions for the year ended June 30, 2022 totaled \$2,030,554.

**NOTE 14 GRANT REVENUE**

During the year ended June 30, 2022, the Organization recognized grant revenue for the following purposes:

|                           |                     |
|---------------------------|---------------------|
| Operating Grants          | \$ 711,950          |
| Supportive Housing Grants | 126,811             |
| Child Nutrition Grants    | 47,588              |
| COVID-19 Grants           | 484,831             |
| Total                     | <u>\$ 1,371,180</u> |

**NOTE 15 RETIREMENT PLAN**

The Organization has a 401(k) plan eligible to all employees, regardless of years of service, who are at least 18 years of age. The plan allows eligible employees to elect to defer up to 25% of the employee's compensation, with matching contributions made by the Organization. The Organization presently matches 6% of eligible employee compensation.

The 401(k) contribution expense was \$196,104 for the year ended June 30, 2022.

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES**  
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**NOTE 16 DONATED LAND AND BUILDING DEED RESTRICTIONS**

In previous years, the Organization has received donations of land and buildings. In conjunction with these donations, the donor requested that deed restrictions be placed upon the properties to which the board of directors and management agreed. The restrictions are as such: the Organization cannot abandon the property from its intended use for more than 30 days; cannot attempt to sell or mortgage the property; cannot discontinue its present mission; cannot fail to timely correct within 30 days of notice from the donor for a failure of adherence to the terms of the agreement; cannot be dissolved under state law. If the restrictions are violated, then the Organization must transfer the property to another charity as designated by the donor. Management believes the restrictions imposed align with the Organization's mission and has a high level of confidence that such restrictions have a very low probability of being violated.

**NOTE 17 COMMITMENTS AND CONTINGENCIES**

The Organization has entered into certain noncancelable operating leases for building and equipment rentals. The future minimum lease payments under these leases are as follows:

| <u>Year Ending June 30,</u>       | <u>Amount</u>              |
|-----------------------------------|----------------------------|
| 2023                              | \$ 266,789                 |
| 2024                              | 212,646                    |
| 2025                              | 212,366                    |
| 2026                              | 207,886                    |
| 2027                              | 148,755                    |
| Total Operating Lease Commitments | <u><u>\$ 1,048,442</u></u> |

Lease expense for the year ended June 30, 2022 totaled \$384,361.

**NOTE 18 HURRICANE IAN**

On September 28, 2022, Hurricane Ian impacted the Southwest Florida region causing severe flooding in many communities. The Organization's operations in Collier, Lee and Hendry counties were affected. The Organization is currently assessing the extent of damages to its properties. The potential financial impact on the Organization is not yet known. Program services continued both during and after the storm. Retail thrift store operations were briefly suspended but have substantially resumed.