

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF ACTIVITIES	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10



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, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and cash flows for the years 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.

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

Emphasis of a Matter

As discussed in Note 11 to the financial statements, in 2023, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
October 24, 2023

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,895,632	\$ 3,773,039
Accounts Receivable	45,731	206,043
Grants Receivable	-	15,083
Inventory	921,106	488,864
Unconditional Promises to Give, Net	63,399	60,042
Prepaid Expenses and Other Assets	636,622	526,781
Investments	1,704,811	1,563,445
Beneficial Interest in Assets Held by Others	144,465	173,676
Right of Use Assets - Financing	918,713	-
Right of Use Assets - Operating	2,694,722	-
Property and Equipment, Net	<u>43,872,979</u>	<u>41,565,318</u>
Total Assets	<u><u>\$ 54,898,180</u></u>	<u><u>\$ 48,372,291</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,365,931	\$ 1,867,301
Residents' Deposits	27,437	21,287
Deferred Revenue	59,008	32,066
Lease Liability - Financing	918,713	-
Lease Liability - Operating	2,694,722	-
Capital Lease Obligations	-	28,563
Notes Payable	<u>4,167,093</u>	<u>4,375,957</u>
Total Liabilities	<u>10,232,904</u>	<u>6,325,174</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,474,008	4,443,611
Investment in Property and Equipment	<u>39,705,886</u>	<u>37,160,798</u>
Total Without Donor Restrictions	43,179,894	41,604,409
With Donor Restrictions:		
Purpose Restricted	1,410,036	370,719
Time Restricted	<u>75,346</u>	<u>71,989</u>
Total With Donor Restrictions	<u>1,485,382</u>	<u>442,708</u>
Total Net Assets	<u>44,665,276</u>	<u>42,047,117</u>
Total Liabilities and Net Assets	<u><u>\$ 54,898,180</u></u>	<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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions - General	\$ 11,846,264	\$ 417,152	\$ 12,263,416
Contributions - Capital Campaigns	-	4,333,221	4,333,221
Grants	516,340	90,383	606,723
In-Kind Contributions - Food Pantry	12,703,859	-	12,703,859
In-Kind Contributions - Thrift Store	8,944,157	-	8,944,157
Special Events, Net	877,222	-	877,222
Total Support	<u>34,887,842</u>	<u>4,840,756</u>	<u>39,728,598</u>
REVENUE			
Thrift Store Revenue	10,470,545	-	10,470,545
Fresh Start Café	335,895	-	335,895
Catering Services	496,542	-	496,542
Rental Income	1,031,304	-	1,031,304
Program Services	296,212	-	296,212
Investment Income	148,157	-	148,157
Other Income	642,352	-	642,352
Total Revenue	<u>13,421,007</u>	<u>-</u>	<u>13,421,007</u>
Net Assets Released from Restrictions	<u>3,798,082</u>	<u>(3,798,082)</u>	<u>-</u>
Total Support and Revenue	52,106,931	1,042,674	53,149,605
EXPENSES			
Program Services	22,435,610	-	22,435,610
Management and General	3,324,169	-	3,324,169
Fundraising	3,624,608	-	3,624,608
Total Operating Expenses	<u>29,384,388</u>	<u>-</u>	<u>29,384,388</u>
Thrift Store, Car Wash, Cafes and Catering Properties	19,684,722	-	19,684,722
Oxbow Hospitality	229,793	-	229,793
Total Expenses	<u>1,232,543</u>	<u>-</u>	<u>1,232,543</u>
Total Expenses	<u>50,531,446</u>	<u>-</u>	<u>50,531,446</u>
CHANGE IN NET ASSETS	1,575,485	1,042,674	2,618,159
Net Assets - Beginning of Year	<u>41,604,409</u>	<u>442,708</u>	<u>42,047,117</u>
NET ASSETS - END OF YEAR	<u>\$ 43,179,894</u>	<u>\$ 1,485,382</u>	<u>\$ 44,665,276</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 Restrictions	With Donor Restrictions	Total
SUPPORT			
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	<u>27,580,061</u>	<u>1,975,922</u>	<u>29,555,983</u>
REVENUE			
Thrift Store Revenue	10,287,067	-	10,287,067
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	<u>12,201,205</u>	<u>-</u>	<u>12,201,205</u>
Net Assets Released from Restrictions	<u>2,030,554</u>	<u>(2,030,554)</u>	<u>-</u>
Total Support and Revenue	41,811,820	(54,632)	41,757,188
EXPENSES			
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	<u>24,995,118</u>	<u>-</u>	<u>24,995,118</u>
Thrift Store, Car Wash, Cafes and Catering Properties	14,431,558	-	14,431,558
Oxbow Hospitality	296,852	-	296,852
Total Expenses	<u>1,036,717</u>	<u>-</u>	<u>1,036,717</u>
CHANGE IN NET ASSETS	1,051,575	(54,632)	996,943
Net Assets - Beginning of Year	<u>40,552,834</u>	<u>497,340</u>	<u>41,050,174</u>
NET ASSETS - END OF YEAR	<u>\$ 41,604,409</u>	<u>\$ 442,708</u>	<u>\$ 42,047,117</u>

See accompanying Notes to Consolidated Financial Statements.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Programs						Total
	Program Services	Thrift Stores, Car Wash, Cafés and Catering	Management and General	Fundraising	Properties	Oxbow Hospitality	
Advertising	\$ 1,722	\$ 24,789	\$ -	\$ 111,994	\$ -	\$ -	\$ 138,505
Auto and Travel	364,179	476,323	22,629	9,962	-	5,557	878,650
Bad Debt Expense	366,713	263	-	-	-	-	366,976
Computer and Technology	134,201	275,124	122,411	102,449	-	528	634,713
Depreciation and Amortization	1,049,148	536,042	18,821	15,448	185,785	11,149	1,816,393
Food and Vending Supplies	338,266	9,330	1,340	187,547	-	36,725	573,208
In-Kind Food Donations	12,517,750	-	-	-	-	-	12,517,750
In-Kind Thrift Cost of Goods Sold	-	8,637,569	-	-	-	-	8,637,569
Interest	45,084	108,907	5,992	-	-	331	160,314
Marketing	7,826	492	7,684	745,833	-	-	761,835
Occupancy	1,483,785	2,025,536	61,721	12,444	39,504	440,442	4,063,432
Office Expense	479,901	331,751	253,325	355,364	2	52,741	1,473,084
Other	15,561	286,875	-	125	4,502	68,437	375,500
Professional Fees	114,784	17,999	108,164	250,027	-	-	490,974
Resident and Client Assistance	266,033	21,395	-	5,118	-	-	292,546
Salaries and Benefits	5,250,657	6,932,327	2,722,082	1,828,297	-	616,633	17,349,997
Total	<u>\$ 22,435,610</u>	<u>\$ 19,684,722</u>	<u>\$ 3,324,169</u>	<u>\$ 3,624,608</u>	<u>\$ 229,793</u>	<u>\$ 1,232,543</u>	<u>\$ 50,531,446</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Programs						Total
	Program Services	Thrift Stores, Car Wash, Cafés and Catering	Management and General	Fundraising	Properties	Oxbow Hospitality	
Advertising	\$ 8,797	\$ 4,920	\$ 60	\$ 85,794	\$ -	\$ 500	\$ 100,071
Auto and Travel	319,844	392,252	20,956	16,809	-	3,401	753,262
Bad Debt Expense	148,461	1,800	-	27,986	-	-	178,247
Computer and Technology	39,898	35,035	236,391	30,686	-	4,487	346,497
Depreciation and Amortization	935,436	245,334	222,719	342	191,460	10,012	1,605,303
Food and Vending Supplies	697,037	6,160	13,446	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	94,081	6,951	-	-	1,100	151,539
Marketing	16,432	10,100	37,944	638,722	-	-	703,198
Occupancy	1,597,342	863,047	129,635	3,637	98,949	316,498	3,009,108
Office Expense	466,248	514,611	267,390	109,116	5,530	65,973	1,428,868
Other	12,686	204,507	28,233	-	-	82,670	328,096
Professional Fees	22,406	-	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	5,624,976	2,293,793	1,144,125	-	491,882	13,537,841
Total	<u>\$ 19,421,907</u>	<u>\$ 14,431,558</u>	<u>\$ 3,442,840</u>	<u>\$ 2,130,371</u>	<u>\$ 296,852</u>	<u>\$ 1,036,717</u>	<u>\$ 40,760,245</u>

See accompanying Notes to Consolidated Financial Statements.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,618,159	\$ 996,943
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,816,393	1,605,303
Loss on Disposition of Property and Equipment	12,325	35,327
Right of Use Amortization	137,023	-
Contribution Received of Marketable Securities	-	(181,585)
Charitable Gift Annuity Maturity	-	(132,997)
Unrealized (Gain) Loss on Investments	(182,084)	328,440
Realized Gains on Investments	(12,838)	(51,142)
Decrease in Value of Beneficial Interests	29,211	22,512
Change in Allowance of Uncollectible Pledges	(8,500)	(344,549)
Change in Net Present Value Discount on Promises to Give	-	10,426
Amortization of Debt Issuance Costs	18,358	13,923
(Increase) Decrease in Current Assets:		
Accounts Receivable	160,312	(105,376)
Pledges Receivable	5,143	336,360
Grants Receivable	15,083	6,092
Inventory	(432,242)	41,980
Prepaid Expenses and Other Assets	(109,841)	107,449
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	498,630	273,241
Residents' Deposits	6,150	7,700
Lease Liabilities	(137,023)	-
Deferred Revenue	26,942	(989,109)
Net Cash Provided by Operating Activities	4,461,201	1,980,938
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(4,136,379)	(4,123,946)
Purchases of Investments	(258,601)	(846,466)
Proceeds from Sale of Investments	312,157	959,707
Net Cash Used by Investing Activities	(4,082,823)	(4,010,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(227,222)	(181,975)
Principal Payments on Leases	(28,563)	(53,585)
Proceeds from Issuance Long-Term Debt	-	1,000,000
Net Cash Provided by Financing Activities	(255,785)	764,440
NET DECREASE IN CASH AND CASH EQUIVALENTS	122,593	(1,265,327)
Cash and Cash Equivalents - Beginning of Year	3,773,039	5,038,366
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,895,632	\$ 3,773,039
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 160,314	\$ 151,539

See accompanying Notes to Consolidated Financial Statements.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 eight 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 forty-four 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, 2023 AND 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, 2023, 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, 2023 AND 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 stores 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 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, 2023 AND 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, 2023.

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 \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Leases

The Organization leases various office space, equipment, and vehicles. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating on the balance sheet. Finance leases are included in right-of-use assets – financing and lease liability – financing on the balance sheet.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases will not be included as lease liabilities or ROU assets on the balance sheet.

Individual lease contracts may not provide information about the discount rate implicit in the lease. In these instances, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead will account for each separate lease component and the nonlease component as a single lease component.

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.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 24, 2023, the date the financial statements were available to be issued.

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:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,895,632	\$ 3,773,039
Accounts Receivable	45,731	206,043
Investments	1,704,811	1,563,445
Unconditional Promises to Give - Due in One Year or Less	48,736	14,682
Less: Net Assets with Donor Restrictions	<u>(1,485,382)</u>	<u>(442,708)</u>
Total	<u>\$ 4,209,528</u>	<u>\$ 5,114,501</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.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 store, and fundraising campaigns. During the years ended June 30, 2023 and 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, 2023 and 2022, donated services were valued at \$36,334 and \$37,673, respectively.

The Organization also receives donated food pantry items from the food banks and the community to assist in the Organization's catering and restaurant programs. 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 years ended June 30, 2023 and 2022, the Organization received \$12,517,750 and \$10,858,557 worth of food pantry items, respectively.

Total in-kind contributions for the food pantry totaled \$12,703,859 and \$11,050,001 for the years ended June 30, 2023 and 2022, respectively.

The Organization also receives donated goods for sale from the community to assist in the Organization's thrift store program. 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, 2023 and 2022, the Organization received \$8,944,157 and \$6,219,081 in goods sold in the thrift store, respectively.

NOTE 6 UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give, net, at June 30, 2023 are reflected at the present value of estimated cash flows using a discount rate of 3.98% as follows:

	2023	2022
Unconditional Promises to Give	\$ 76,933	\$ 82,076
Less: Discount to Net Present Value	(11,947)	(11,947)
Less: Allowance for Uncollectible Promises	(1,587)	(10,087)
Total	\$ 63,399	\$ 60,042

Unconditional promises to give are scheduled to be received as follows at June 30, 2023:

	2023
Less than 1 Year	\$ 48,736
1 to 5 Years	28,197
Total	\$ 76,933

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 INVESTMENTS

Investments are comprised of the following at June 30, 2023:

	<u>Cost</u>	<u>Market</u>
Equity Securities	\$ 1,176,516	\$ 1,377,069
Fixed Income Securities	346,210	327,742
Total	<u>\$ 1,522,726</u>	<u>\$ 1,704,811</u>

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

	<u>Cost</u>	<u>Market</u>
Equity Securities	\$ 1,176,516	\$ 1,377,069
Fixed Income Securities	346,210	327,742
Total	<u>\$ 1,522,726</u>	<u>\$ 1,704,811</u>

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

	<u>2023</u>	<u>2022</u>
Unrealized Gain (Loss) on Investments	\$ 102,016	\$ (350,952)
Realized Gain on Investments	14,163	51,142
Interest and Dividend Earnings	43,136	99,062
Investment Expenses	<u>(11,158)</u>	<u>(19,113)</u>
Total	<u>\$ 148,157</u>	<u>\$ (219,861)</u>

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity Securities	\$ 1,377,069	\$ -	\$ -	\$ 1,377,069
Fixed Income Securities	-	327,742	-	327,742
Beneficial Interests in Assets Held by Others	-	-	144,465	144,465
Total	<u>\$ 1,377,069</u>	<u>\$ 327,742</u>	<u>\$ 144,465</u>	<u>\$ 1,849,276</u>

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 FAIR VALUE MEASUREMENT (CONTINUED)

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				
Held by Others	-	-	173,676	173,676
Total	<u>\$ 927,424</u>	<u>\$ 636,021</u>	<u>\$ 173,676</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:

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 173,676	\$ 196,188
Change in Value	(29,211)	(22,512)
Balance - End of Year	<u>\$ 144,465</u>	<u>\$ 173,676</u>

<u>Instrument</u>	<u>Fair Value</u>		<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
	<u>2023</u>	<u>2022</u>		
Beneficial Interest in Assets	\$ 144,465	\$ 173,676	Market Price at Close of Business	Amount and Timing of Distributions

NOTE 9 PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 26,528,685	\$ 27,083,482
Land	14,128,879	11,931,928
Equipment and Furniture	3,633,129	3,100,572
Vehicles	714,124	669,214
Leasehold Improvements	8,515,932	6,955,604
Construction in Progress	2,040,129	1,914,206
Subtotal	<u>55,560,878</u>	<u>51,655,006</u>
Less: Accumulated Depreciation	<u>(11,687,899)</u>	<u>(10,089,688)</u>
Total	<u>\$ 43,872,979</u>	<u>\$ 41,565,318</u>

Depreciation expense for the year ended June 30, 2023 and 2022 was \$1,816,393 and \$1,605,303, respectively.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$3,500,000 that is collateralized by all business assets and carries a variable interest rate of 1-month term SOFR rate plus 2.25% as of June 30, 2023. The balance on the line of credit was \$-0- as of June 30, 2023 and 2022.

NOTE 11 ADOPTION OF NEW ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, lease liabilities totaling \$3,819,189. The liabilities, which represents the remaining operating and finance lease payments of \$2,853,689 for building leases and \$965,500 for equipment and vehicles, discounted using the Organization's incremental borrowing rate of between 1.9-5.75%, and right-of-use assets totaling \$3,819,189.

The standard has a material impact on the balance sheet but did not have a material impact on the statement of revenues, expenses, and changes in fund balances or the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating and finance leases.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 LEASES – ASC 842

The Organization leases office and grounds equipment under long-term, noncancelable lease agreements. The leases expire between December 2023 and August 2027. In the normal course of business, it is expected that the leases will be renewed or replaced by a similar leases.

The following table provide quantitative information concerning the Organization's leases.

Lease Cost:	
Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 143,666
Interest on Lease Liabilities	32,579
Operating Lease Costs	<u>259,267</u>
 Total Lease Cost	 <u><u>\$ 435,512</u></u>
Other Information:	
Operating Cash Flows from Financing Leases	\$ 32,648
Operating Cash Flows from Operating Leases	\$ 222,129
Financing Cash Flows from Financing Leases	\$ 92,115
Right-of-Use Asset Obtained in Exchange for New Operating Lease Liability	\$ 670,505
Weighted-Average Remaining Lease Term	
- Financing Leases	5.2
Weighted-Average Remaining Lease Term	
- Operating Leases	11.65
Weighted-Average Discount Rate - Financing Leases	4.34%
Weighted-Average Discount Rate - Operating Leases	5.75%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2024	\$ 271,473	\$ 184,399
2025	277,831	184,399
2026	284,143	184,399
2027	291,016	178,499
2028	309,280	166,735
Thereafter	<u>2,468,585</u>	<u>165,108</u>
Total Lease Payments	3,902,328	1,063,539
Less: Interest	<u>(1,207,606)</u>	<u>(144,826)</u>
Present Value of Lease Liabilities	<u><u>\$ 2,694,722</u></u>	<u><u>\$ 918,713</u></u>

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 NOTES PAYABLE

Notes payable at June 30 consisted of the following:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Note payable to a financial institution, bearing interest at 5.6375%, secured by property. Monthly payments of principal and interest due through maturity in June 2028.	\$ 1,136,070	\$ 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.	2,071,532	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.	959,491	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.	-	29,099
Total Notes Payable	<u>4,167,093</u>	<u>4,394,315</u>
Less: Unamortized Debt Issuance Costs	<u>-</u>	<u>(18,358)</u>
Total Notes Payable, Net	<u><u>\$ 4,167,093</u></u>	<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>
2024	\$ 1,246,708
2025	115,408
2026	1,934,812
2027	29,786
2028	30,780
Thereafter	809,599
Total Debt Maturities	<u><u>\$ 4,167,093</u></u>

Interest expense for the years ended June 30, 2023 and 2022 totaled \$160,314 and \$151,539, respectively.

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, 2023 and 2022.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 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, 2023:

	<u>2023</u>	<u>2022</u>
Subject to the Passage of Time:		
Unconditional Promises to Give, Net	\$ 75,346	\$ 71,989
Subject to Restriction for Specific Purpose:		
Capital Campaign	1,132,564	225,094
Women's Recovery Shelters	13,000	17,000
Other Various Purposes	125,853	122,593
Total	<u>\$ 138,619</u>	<u>6,032</u>
	<u>\$ 1,485,382</u>	<u>\$ 442,708</u>

Net assets released from donor-imposed restrictions for the years ended June 30, 2023 and 2022 totaled \$3,264,803 and \$2,030,554, respectively.

NOTE 15 GRANT REVENUE

The Organization recognized grant revenue for the following purposes during the year ended June 30:

	<u>2023</u>	<u>2022</u>
Operating Grants	\$ 457,640	\$ 711,950
Supportive Housing Grants	90,383	126,811
Child Nutrition Grants	58,700	47,588
COVID-19 Grants	-	484,831
Total	<u>\$ 606,723</u>	<u>\$ 1,371,180</u>

NOTE 16 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.

For the year ended June 30, 2023 and 2022, the 401(k) contribution expense was \$206,339 and \$196,104, respectively.

ST. MATTHEW'S HOUSE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 17 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.