

**STEPPING STONE EMERGENCY
HOUSING, INC.**
AUDITED FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stepping Stone Emergency Housing, Inc.
Anoka, Minnesota

Opinion

We have audited the accompanying financial statements of Stepping Stone Emergency Housing, Inc. (a non-profit organization), which comprise of the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stepping Stone Emergency Housing, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stepping Stone Emergency Housing, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Harrington Langer & Associates

May 18, 2022

STEPPING STONE EMERGENCY HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,057,414	\$ 813,689
Contracts receivable	148,374	92,412
Prepaid expenses	<u>7,752</u>	<u>10,107</u>
TOTAL CURRENT ASSETS	<u>1,213,540</u>	<u>916,208</u>
PROPERTY AND EQUIPMENT, at cost		
Building	148,278	148,278
Leasehold improvements	125,364	125,364
Equipment	<u>140,455</u>	<u>137,740</u>
	414,097	411,382
Less: accumulated depreciation	<u>(153,195)</u>	<u>(126,647)</u>
TOTAL PROPERTY AND EQUIPMENT, net	<u>260,902</u>	<u>284,735</u>
OTHER ASSETS		
Unemployment services trust	<u>20,586</u>	<u>14,511</u>
TOTAL ASSETS	<u><u>\$ 1,495,028</u></u>	<u><u>\$ 1,215,454</u></u>

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 123,533	\$ 7,644
Accrued expenses	<u>39,054</u>	<u>50,314</u>
TOTAL CURRENT LIABILITIES	<u>162,587</u>	<u>57,958</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	754,126	574,358
Board designated - operating reserve	512,918	512,918
Net assets with donor restrictions	<u>65,397</u>	<u>70,220</u>
TOTAL NET ASSETS	<u>1,332,441</u>	<u>1,157,496</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,495,028</u></u>	<u><u>\$ 1,215,454</u></u>

STEPPING STONE EMERGENCY HOUSING, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
REVENUE AND SUPPORT				
Contributions	\$ 319,231	\$ 65,397	\$ 384,628	\$ 391,442
Government contribution	711,432	-	711,432	495,769
Program service fees	1,316,863	-	1,316,863	1,105,954
Investment income	3,080	-	3,080	3,299
In-kind donations	50,000	-	50,000	140,800
Rental income	21,600	-	21,600	18,368
Vending income, net of expenses of \$1,584 and \$1,822, respectively	1,688	-	1,688	2,781
Event income, net of expenses of \$34,874 and \$21,806, respectively	87,165	-	87,165	67,223
Other income	2,095	-	2,095	957
Loss on disposal of assets	-	-	-	(2,300)
Net assets released from restrictions	70,220	(70,220)	-	-
TOTAL REVENUE AND SUPPORT	2,583,374	(4,823)	2,578,551	2,224,293
EXPENSES				
Program services				
Long Term Housing	211,896	-	211,896	182,121
Shelter	1,786,358	-	1,786,358	1,128,805
Stepping Home	18,120	-	18,120	18,693
Total program services	2,016,374	-	2,016,374	1,329,619
Management and general	267,145	-	267,145	271,143
Fundraising	120,087	-	120,087	81,985
TOTAL EXPENSES	2,403,606	-	2,403,606	1,682,747
CHANGE IN NET ASSETS	179,768	(4,823)	174,945	541,546
NET ASSETS, BEGINNING OF YEAR	1,087,276	70,220	1,157,496	615,950
NET ASSETS, END OF YEAR	\$ 1,267,044	\$ 65,397	\$ 1,332,441	\$ 1,157,496

STEPPING STONE EMERGENCY HOUSING, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 391,442	\$ -	\$ 391,442
Government contribution	425,549	70,220	495,769
Program service fees	1,105,954	-	1,105,954
Investment income	3,299	-	3,299
In-kind donations	140,800	-	140,800
Rental income	18,368	-	18,368
Vending income, net of expenses of \$1,822	2,781	-	2,781
Event income, net of expenses of \$21,806	67,223	-	67,223
Other income	957	-	957
Loss on disposal of assets	(2,300)	-	(2,300)
Net assets released from restrictions	-	-	-
TOTAL REVENUE AND SUPPORT	2,154,073	70,220	2,224,293
EXPENSES			
Program services			
Long Term Housing	182,121	-	182,121
Shelter	1,128,805	-	1,128,805
Stepping Home	18,693	-	18,693
Total program services	1,329,619		1,329,619
Management and general	271,143	-	271,143
Fundraising	81,985	-	81,985
TOTAL EXPENSES	1,682,747	-	1,682,747
CHANGE IN NET ASSETS	471,326	70,220	541,546
NET ASSETS, BEGINNING OF YEAR	615,950	-	615,950
NET ASSETS, END OF YEAR	\$ 1,087,276	\$ 70,220	\$ 1,157,496

STEPPING STONE EMERGENCY HOUSING, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 174,945	\$ 541,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,548	26,821
PPP loan forgiveness	-	(191,757)
Loss on disposal of assets	-	2,300
(Increase) decrease in:		
Contracts receivable	(55,962)	(6,577)
Prepaid expenses	2,355	(25,552)
Unemployment services trust	(6,075)	14,511
Increase (decrease) in:		
Accounts payable	115,889	(1,179)
Accrued expenses	(11,260)	12,768
	246,440	372,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,715)	(31,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance on PPP loan	-	191,757
INCREASE IN CASH AND CASH EQUIVALENTS	243,725	532,928
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	813,689	280,761
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,057,414	\$ 813,689

STEPPING STONE EMERGENCY HOUSING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Program Services				Management and General	Fund- raising	Total 2021	Total 2020
	Long Term Housing	Shelter	Stepping Home	Total				
Salaries	\$ 15,909	\$ 635,142	\$ -	\$ 651,051	\$ 205,195	\$ 82,609	\$ 938,855	\$ 962,376
Payroll taxes	1,169	47,085	-	48,254	15,697	6,234	70,185	73,639
Employee benefits	5,754	73,942	-	79,696	24,619	8,326	112,641	88,693
Total Payroll Expenses	22,832	756,169	-	779,001	245,511	97,169	1,121,681	1,124,708
Professional fees	-	926	-	926	6,550	375	7,851	6,928
Contract services	4,280	32,162	-	36,442	4,057	72	40,571	76,292
Supplies	19	4,370	-	4,389	-	3,556	7,945	8,839
Telephone	39	11,905	-	11,944	1,039	-	12,983	11,285
Postage	-	-	-	-	1,305	1,305	2,610	2,387
Occupancy	8,538	43,062	7,938	59,538	5,177	28,351	93,066	71,566
Equipment	456	18,036	-	18,492	-	-	18,492	15,379
Repairs and maintenance	-	15,726	2,700	18,426	-	-	18,426	11,166
Dues and subscriptions	-	10,247	195	10,442	-	807	11,249	12,519
Food expenses	-	97,287	-	97,287	-	-	97,287	132,512
Client expenses	169,249	740,767	-	910,016	-	-	910,016	143,986
Insurance	-	9,420	2,516	11,936	-	-	11,936	10,811
Travel	1,297	2,492	-	3,789	-	87	3,876	3,878
Meetings	-	2,012	-	2,012	-	-	2,012	667
Staff development	35	7,573	-	7,608	-	1,838	9,446	6,258
Fundraising	-	-	-	-	-	8,385	8,385	3,743
Printing	-	142	-	142	-	7,226	7,368	7,219
Miscellaneous	5,151	17,375	-	22,526	-	5,790	28,316	29,411
Depreciation	-	18,271	4,771	23,042	3,506	-	26,548	26,821
Total Expenses by Function	211,896	1,787,942	18,120	2,017,958	267,145	154,961	2,440,064	1,706,375
Less Expenses included with revenues on the statement of activities								
Vending expenses	-	(1,584)	-	(1,584)	-	-	(1,584)	(1,822)
Special events	-	-	-	-	-	(34,874)	(34,874)	(21,806)
Total expenses included in expense section on the statement of activities	\$ 211,896	\$ 1,786,358	\$ 18,120	\$ 2,016,374	\$ 267,145	\$ 120,087	\$ 2,403,606	\$ 1,682,747

STEPPING STONE EMERGENCY HOUSING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services				Management and General	Fund- raising	Total
	Long Term Housing	Shelter	Stepping Home	Total			
Salaries	\$ 47,888	\$ 645,909	\$ -	\$ 693,797	\$ 215,006	\$ 53,573	\$ 962,376
Payroll taxes	3,627	49,314	-	52,941	16,448	4,250	73,639
Employee benefits	7,128	62,675	-	69,803	19,815	(925)	88,693
Total Payroll Expenses	58,643	757,898	-	816,541	251,269	56,898	1,124,708
Professional fees	-	-	-	-	6,553	375	6,928
Contract services	2,280	66,534	-	68,814	7,393	85	76,292
Supplies	238	6,058	-	6,296	-	2,543	8,839
Telephone	-	10,382	-	10,382	903	-	11,285
Postage	-	366	-	366	367	1,654	2,387
Occupancy	6,508	42,130	6,138	54,776	3,664	13,126	71,566
Equipment	367	11,108	3,904	15,379	-	-	15,379
Repairs and maintenance	-	9,057	2,109	11,166	-	-	11,166
Dues and subscriptions	88	7,982	-	8,070	-	4,449	12,519
Food expenses	-	132,512	-	132,512	-	-	132,512
Client expenses	112,067	31,919	-	143,986	-	-	143,986
Insurance	-	8,649	2,162	10,811	-	-	10,811
Travel	1,362	2,087	-	3,449	-	429	3,878
Meetings	-	543	-	543	-	124	667
Staff development	47	6,045	-	6,092	-	166	6,258
Fundraising	-	-	-	-	-	3,743	3,743
Printing	-	-	-	-	-	7,219	7,219
Miscellaneous	521	15,910	-	16,431	-	12,980	29,411
Depreciation	-	21,447	4,380	25,827	994	-	26,821
Total Expenses by Function	182,121	1,130,627	18,693	1,331,441	271,143	103,791	1,706,375
Less Expenses included with revenues on the statement of activities							
Vending expenses	-	(1,822)	-	(1,822)	-	-	(1,822)
Special events	-	-	-	-	-	(21,806)	(21,806)
Total expenses included in expense section on the statement of activities	\$ 182,121	\$ 1,128,805	\$ 18,693	\$ 1,329,619	\$ 271,143	\$ 81,985	\$ 1,682,747

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Stepping Stone Emergency Housing, Inc. (SSEH, the Organization) provides emergency housing and support services to adults experiencing homelessness in Anoka County, Minnesota. SSEH accommodates up to 60 adults assisting with short-term housing, job and life skills, educational courses, and support in finding a place to live once they have graduated.

The Organization's programs are as following:

Long Term Housing: This is a community based housing program that provides case management to up to 16 former Stepping Stone residents who have a diagnosed disability.

Shelter: This program provides emergency housing and critical support services to up to 66 single adults 18 and over who are experiencing homelessness.

Stepping Home: This is another community based housing program, but three female residents stay in a home in Blaine, owned by Stepping Stone.

Basis of presentation:

The financial statements of SSEH have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Functional Expenses:

The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services benefited. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

Revenue Recognition:

The Organization recognizes revenue from government contracts and program service fees when the services are provided. Special event revenue is recognized equal to the cost of direct benefit to donors, and contribution revenue for the difference. Vending income is earned when the products are transferred.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of \$321,225 and \$434,250 and that have not been recognized at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Contracts Receivable and Promises to Give:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding contracts receivable and promises to give. At December 31, 2021 and 2020, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for uncollectible promises.

Income Taxes:

The Organization operates as a charitable organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Property and Equipment:

All major expenditures for land, building and equipment greater than \$1,000 are capitalized at cost.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Building	39 years
Leasehold improvements	5 to 37 years
Equipment	5 to 10 years

Accrued Vacation and Personal Leave:

The Organization follows the practice of accruing vacation pay in the period in which the employee earns such vacation. Personal leave is paid to employees and is expensed as incurred.

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Estimates:

The preparation of 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 and disclosures in these financial statements. Actual results could differ from those estimates.

Advertising:

Advertising costs are charged to expense as incurred. Advertising expense amounted to \$0 and \$4,300 for the years ended December 31, 2021 and 2020, respectively.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2022, the date the financial statements were available to be issued.

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available to general expenditure within one year of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,057,414	\$ 813,689
Contracts receivable	<u>148,374</u>	<u>92,412</u>
Total financial assets available for expenditure	<u>1,205,788</u>	<u>906,101</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	65,397	70,220
Less net assets with restrictions to be met in less than one year	<u>(65,397)</u>	<u>(70,220)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,205,788</u>	<u>\$ 906,101</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses.

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at various financial institutions located in the Twin Cities area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2021 and 2020. At December 31, 2021 and 2020, the Organization had uninsured cash balances of \$299,818 and \$113,997, respectively.

NOTE 4. FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for which Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

The Unemployment Services Trust is valued at the amount reported by the trust based on the quoted prices of the underlying investment holdings. This asset is Level 2 on the fair value hierarchy. There were no changes in the valuation methodologies.

The following table sets forth by level, within the fair value hierarchy, is the Organization's investments as of December 31, 2021 and 2020:

		2021			
		Level 1	Level 2	Level 3	Total
	Unemployment Services Trust	\$ -	\$ 20,586	\$ -	\$ -
		2020			
		Level 1	Level 2	Level 3	Total
	Unemployment Services Trust	\$ -	\$ 14,511	\$ -	\$ -

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. UNEMPLOYMENT SERVICES TRUST

The Organization makes contributions to an Unemployment Services Trust. The trust is a pooled fund. The trust is used to pay unemployment claims made to the Organization. The trust's pooled assets were comprised of domestic and international equities, domestic bonds, and cash and cash equivalents. The trust is recorded in other assets in the statements of financial position.

NOTE 6. MAJOR SOURCES OF SUPPORT AND REVENUE

During the years ended December 31, 2021 and 2020, the Organization received 56% and 45%, respectively, of total revenue from the state of Minnesota.

NOTE 7. IN-KIND CONTRIBUTIONS

In-kind contributions are recognized for donated services that require specialized skills or items that improve or enhance property and equipment. During the years ended December 31, 2021 and 2020, the Organization received the following in-kind contributions:

	2021	2020
Food and meals	\$ 50,000	\$ 94,000
Medical services	-	46,800
	\$ 50,000	\$ 140,800

NOTE 8. BORROWING ARRANGEMENTS

The Organization maintains credit card accounts from which they can borrow up to \$16,610 as of both December 31, 2021 and 2020. Advances on these cards accrue interest at rates up to 15.00% and 14.90% as of December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, there were outstanding advances of \$4,562 and \$1,067, respectively, that were included in the accounts payable balance.

STEPPING STONE EMERGENCY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. OPERATING LEASE COMMITMENTS

The Organization leases office facilities under annually renewing leases with Anoka County. Rent and occupancy expenses charged to operations for the above leases amounted to \$39,600 for both years ended December 31, 2021 and 2020. Under the above leasing arrangement, the Organization has future lease commitments at December 31, 2021 of the following.

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 41,400
2023	<u>20,700</u>
	<u>\$ 62,100</u>

The Organization leases equipment under various non-cancelable leases, which expire through May 2028. Under these leasing arrangements, the Organization has future lease commitments at December 31, 2021 of the following.

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 6,805
2023	6,805
2024	4,388
2025	2,545
2026	2,545
Thereafter	<u>3,394</u>
	<u>\$ 26,482</u>

NOTE 10. PPP FUNDING

During the year ended December 31, 2020, the Organization received loan proceeds in the amount of \$191,757 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10. PPP FUNDING (funding)

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with the PPP and the full amount has been forgiven and recorded as contribution revenue in the accompanying financial statements.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, the Organization had \$65,397 and \$70,220 , respectively, of net assets with donor restrictions. These amounts were restricted for shelter capacity and staffing at December 31, 2021 and 2020, respectively. During the year ended December 31, 2020, there were funds of \$70,220 released from restrictions for shelter capacity and staffing during the year ended December 31, 2021.