

**ST. STEPHEN'S
HUMAN SERVICES, INC.**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2020**

ST. STEPHEN'S HUMAN SERVICES, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION AND REPORTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Stephen's Human Services, Inc.
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of St. Stephen's Human Services, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Stephen's Human Services, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, St. Stephen's Human Services, Inc. adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to those matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited St. Stephen's Human Services, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of St. Stephen's Human Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Stephen's Human Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Stephen's Human Services, Inc.'s internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

November 11, 2020

ST. STEPHEN'S HUMAN SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 3,757,522	\$ 2,007,755
Cash - restricted for participant deposits	948,408	423,361
Investments	6,663,184	1,347,441
Accounts receivable	2,801	24,092
Grants receivable	814,287	777,029
Pledges receivable	192,500	236,000
Prepaid expenses and other assets	55,197	34,657
Predevelopment costs	78,057	41,202
Property and equipment, net	<u>183,550</u>	<u>224,786</u>
 Total assets	 <u>\$ 12,695,506</u>	 <u>\$ 5,116,323</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 178,392	\$ 78,581
Accrued payroll and related	250,079	288,953
Participant deposits	948,408	423,361
Refundable advances	64,204	34,310
Payroll protection program loan	825,000	-
Accrued interest	1,031	-
Deferred lease incentive, net	<u>112,500</u>	<u>127,500</u>
 Total liabilities	 <u>2,379,614</u>	 <u>952,705</u>
Net assets:		
Without donor restrictions:		
Board designated reserve	-	877,599
Undesignated	<u>4,960,642</u>	<u>2,873,144</u>
	4,960,642	3,750,743
With donor restrictions	<u>5,355,250</u>	<u>412,875</u>
 Total net assets	 <u>10,315,892</u>	 <u>4,163,618</u>
 Total liabilities and net assets	 <u>\$ 12,695,506</u>	 <u>\$ 5,116,323</u>

See accompanying notes to financial statements.

ST. STEPHEN'S HUMAN SERVICES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020			
	Net assets without donor restrictions	Net assets with donor restrictions	Total	2019
Revenues and support:				
Contributions	\$ 2,690,429	\$ 5,324,423	\$ 8,014,852	\$ 1,991,655
Contributions - in-kind	139,762	-	139,762	113,348
Government grants and reimbursements	10,521,649	-	10,521,649	9,816,663
Fee income	326,944	-	326,944	362,820
Other income	100	-	100	8,239
Special events less direct benefits to donors of \$155 in 2020 and \$18,540 in 2019	2,585	-	2,585	37,393
Net assets released upon expiration of time and purpose restrictions	382,048	(382,048)	-	-
	<u>14,063,517</u>	<u>4,942,375</u>	<u>19,005,892</u>	<u>12,330,118</u>
Total revenues and support				
Expenses:				
Program services:				
Shelter	1,624,747	-	1,624,747	1,023,572
Street outreach	873,205	-	873,205	746,273
Supportive housing	6,367,262	-	6,367,262	6,675,042
Prevention	530,349	-	530,349	347,543
Rapid re-housing	1,530,228	-	1,530,228	1,599,181
Community engagement	34,325	-	34,325	92,746
Rep payee	197,011	-	197,011	187,383
Total program services	<u>11,157,127</u>	<u>-</u>	<u>11,157,127</u>	<u>10,671,740</u>
Management and general	1,541,585	-	1,541,585	1,337,159
Fundraising	431,633	-	431,633	411,174
	<u>13,130,345</u>	<u>-</u>	<u>13,130,345</u>	<u>12,420,073</u>
Total expenses				
Change in net assets before gain on sale of assets and investment income or loss	933,172	4,942,375	5,875,547	(89,955)
Gain on sale of Kateri buildings and improvements	-	-	-	156,535
Interest income	1,038	-	1,038	3,150
Return on investments, net	275,689	-	275,689	170,011
	<u>1,209,899</u>	<u>4,942,375</u>	<u>6,152,274</u>	<u>239,741</u>
Change in net assets				
Net assets, beginning of year	<u>3,750,743</u>	<u>412,875</u>	<u>4,163,618</u>	<u>3,923,877</u>
Net assets, end of year	<u>\$ 4,960,642</u>	<u>\$ 5,355,250</u>	<u>\$ 10,315,892</u>	<u>\$ 4,163,618</u>

See accompanying notes to financial statements.

ST. STEPHEN'S HUMAN SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020											2019
	Program Services							Total program services	Management and general	Fund-raising	Total	
Shelter	Street outreach	Supportive housing	Prevention	Rapid re-housing	Community engagement	Rep payee						
Salaries and wages	\$ 671,704	\$ 524,515	\$ 1,118,381	\$ 130,322	\$ 530,819	\$ 18,386	\$ 104,287	\$ 3,098,414	\$ 718,559	\$ 251,975	\$ 4,068,948	\$ 3,783,321
Payroll taxes	57,374	43,525	93,283	10,963	44,070	1,642	8,736	259,593	57,329	20,017	336,939	322,207
Employee benefits	103,935	108,887	305,921	15,578	114,387	728	17,183	666,619	129,198	66,966	862,783	831,982
	<u>833,013</u>	<u>676,927</u>	<u>1,517,585</u>	<u>156,863</u>	<u>689,276</u>	<u>20,756</u>	<u>130,206</u>	<u>4,024,626</u>	<u>905,086</u>	<u>338,958</u>	<u>5,268,670</u>	<u>4,937,510</u>
Office expense	2,114	2,893	6,699	1,067	2,791	151	11,050	26,765	54,558	27,246	108,569	27,424
Telephone	9,016	6,635	11,543	1,015	4,632	370	437	33,648	11,326	1,523	46,497	44,099
Postage	-	7	105	11	63	1	262	449	-	25,840	26,289	26,559
Equipment and maintenance	2,707	-	43,448	-	-	-	-	46,155	128,790	1,193	176,138	72,172
Insurance	4,000	11,267	-	-	-	340	-	15,607	21,514	-	37,121	9,336
Printing and publications	-	-	-	-	-	-	-	-	-	4,368	4,368	12,541
Travel and meals	1,309	1,768	24,242	1,768	9,495	-	-	38,582	554	547	39,683	61,231
Conferences and meetings	652	2,766	4,895	369	1,690	35	-	10,407	19,970	1,153	31,530	48,000
Room Rental	-	-	-	-	-	-	-	-	-	-	-	13,343
Professional fees	-	-	-	-	-	-	-	-	106,271	-	106,271	89,719
Contracted services	96,821	4,881	4,899	-	1,000	-	31,039	138,640	203,345	4,872	346,857	280,304
Specific assistance to individuals	151,970	101,793	4,584,265	351,418	755,775	6,912	-	5,952,133	1,390	-	5,953,523	6,190,638
Interest	-	-	-	-	-	-	7,536	7,536	1,031	-	8,567	8,536
Depreciation	16,655	-	-	-	-	-	-	16,655	24,581	-	41,236	41,236
Occupancy	506,490	64,268	169,581	17,838	65,506	5,760	16,481	845,924	63,169	26,088	935,181	575,965
	<u>1,624,747</u>	<u>873,205</u>	<u>6,367,262</u>	<u>530,349</u>	<u>1,530,228</u>	<u>34,325</u>	<u>197,011</u>	<u>11,157,127</u>	<u>1,541,585</u>	<u>431,788</u>	<u>13,130,500</u>	<u>12,438,613</u>
Less: direct benefits to donors	-	-	-	-	-	-	-	-	-	(155)	(155)	(18,540)
Total expenses	<u>\$ 1,624,747</u>	<u>\$ 873,205</u>	<u>\$ 6,367,262</u>	<u>\$ 530,349</u>	<u>\$ 1,530,228</u>	<u>\$ 34,325</u>	<u>\$ 197,011</u>	<u>\$ 11,157,127</u>	<u>\$ 1,541,585</u>	<u>\$ 431,633</u>	<u>\$ 13,130,345</u>	<u>\$ 12,420,073</u>

See accompanying notes to financial statements.

ST. STEPHEN'S HUMAN SERVICES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,152,274	\$ 239,741
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	41,236	41,236
Unrealized gain on investments	(143,697)	(170,011)
Donated stock	(5,047,632)	(68,564)
Gain on sale of Kateri building and improvements	-	(156,536)
Deferred lease incentive amortization	(15,000)	(15,000)
Changes in operating assets and liabilities:		
Accounts receivable	21,291	(13,154)
Grants receivable	(37,258)	(159,392)
Pledges receivable	43,500	(56,000)
Prepaid expenses	(20,540)	5,735
Accounts payable	99,811	20,710
Accrued expenses	(37,843)	(45,366)
Participant deposits	525,047	5,375
Refundable advances	29,894	(10,980)
Net cash from operating activities	<u>1,611,083</u>	<u>(382,206)</u>
Cash flows from investing activities:		
Proceeds from the sale of Kateri building and improvements	-	298,116
Proceeds from the sale of investments	133,978	386,477
Purchases of investments	(258,392)	(360,828)
Payments for predevelopment costs	(36,855)	(41,202)
Net cash from investing activities	<u>(161,269)</u>	<u>282,563</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	825,000	-
Net cash from financing activities	<u>825,000</u>	<u>-</u>
Net increase (decrease)	2,274,814	(99,643)
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,431,116</u>	<u>2,530,759</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 4,705,930</u>	<u>\$ 2,431,116</u>
Reconciliation from the Statement of Financial Position		
Cash and cash equivalents	\$ 3,757,522	\$ 2,007,755
Cash - restricted for participant deposits	948,408	423,361
Total cash, cash equivalents and restricted cash	<u>\$ 4,705,930</u>	<u>\$ 2,431,116</u>

See accompanying notes to financial statements.

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

1. ORGANIZATION

St. Stephen's Human Services began in the early 1970s as initiatives to end homelessness by the congregation of St. Stephen's Church in South Minneapolis. St. Stephen's Human Services (St. Stephen's) was incorporated as a 501(c)(3) nonprofit independent of the church in 2002. Over nearly 50 years, St. Stephen's has been recognized as a community leader through the development and implementation of innovative programs and services that prevent and end homelessness. The mission of St. Stephen's is ending homelessness. Our primary goal is to support people experiencing homelessness in achieving permanent, affordable housing. We meet people where they are, working together toward self-sufficiency and housing stability.

St. Stephen's operates the following programs:

Shelter - St. Stephen's provides emergency shelter to up to 99 individuals experiencing homelessness each night. In addition to providing meals, access to showers, and a safe place to sleep, staff at our two shelter locations provide coordination of services to assist guests in meeting their long-term goals.

Street Outreach - St. Stephen's Street Outreach team works with people sleeping outside or in places unfit for human habitation. The team provides on-the-spot services to ensure safety and survival for people experiencing unsheltered homelessness, while helping clients address their barriers to housing.

Housing Services - Our housing programs provide access to scattered-site, affordable housing for single adults and families experiencing and emerging from homelessness. Staff provide support in locating, accessing, and maintaining housing as our clients work toward personal goals and self-sufficiency:

Prevention - One of the most effective ways to end homelessness is to support those at risk of losing their housing. St. Stephen's provides supportive services, housing stabilization planning, financial counseling, landlord mediation, and other assistance for families at imminent risk of homelessness.

Rapid Re-Housing - This program helps families and single adults transition quickly from shelter into housing with supportive services and a short-term rental subsidy. Specialized services include rapid rehousing with an emphasis on employment.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

1. **ORGANIZATION (Continued)**

Supportive Housing:

Single Adult Supportive Housing - Single adult supportive housing involves longer-term services designated for individuals identified as having the greatest needs and vulnerability.

Family Supportive Housing - Family supportive housing works with families who have the greatest needs to secure and maintain housing and offers long-term support.

MHFA Subsidies - Rental subsidies are an important tool for helping some single adults and families maintain their housing while they work toward self-sufficiency. These subsidies are provided through Minnesota Housing.

Community Engagement - This program engages people experiencing homelessness and other members of the community in advocating for systemic change to prevent and end homelessness. The program offers *A Day in the Life*, an experiential-learning program that gives participants an opportunity to learn directly from people experiencing homelessness and legislative advocacy in collaboration with our public, private and nonprofit partners.

Other Services:

Representative Payee (Rep Payee) – Social Security appoints representative payees to Social Security beneficiaries who need help managing their funds to pay rent and utility expenses, personal needs and food.

Other Resources – St. Stephen's publishes the *Handbook of the Streets* to help people navigate available services and secures birth certificates for people who lack identification documents.

The majority of revenue and support is from government agencies, contributions, board and lodge income, and fees for services.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Implementation of New Accounting Guidance - In fiscal year 2020, St. Stephen's adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* using the full retrospective approach. This ASU was issued to address diversity in reporting restricted cash on the statement of cash flows, largely due to the lack of guidance. After the adoption of ASU 2016-18, restricted cash and cash equivalents must be included with the beginning and ending cash and cash equivalents shown on the statement of cash flows. Before the change, restricted cash and cash equivalents were excluded. The change increased 2019 beginning of year cash, cash equivalents, and restricted cash reported on the statement of cash flows by \$417,986.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. St. Stephen's adopted these related standards on July 1, 2019, using the modified retrospective and modified prospective methods. The cumulative effect of adopting the new revenue standards was not material and no adjustment was recorded to net assets. However, income formerly shown as board and lodge income was moved to government grants and reimbursements. No material impact on total revenue or change in net assets on an ongoing basis is expected.

Financial Statement Presentation - St. Stephen's reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Net assets without donor restrictions represent the portion of net assets that are not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve.
- Net assets with donor restrictions arise from contributions that are restricted by donors for specific purposes or time periods.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of preparing the statement of cash flows, investments with an original maturity of three months or less are considered cash equivalents.

Cash - Restricted for Participant Deposits - Some clients are not able to manage their own money and therefore St. Stephen's holds as an agent amounts collected from these participants in its Alliance of the Streets Representative Payee program and manages their money on their behalf. A liability titled "Participant Deposits" has been established for these funds. These amounts are considered restricted cash

Investments - Investments are recorded at fair value. Investment income or loss including gains and losses on investments, interest, and dividends, is included in the statement of activities as increases in net assets without donor restrictions unless the income or loss is restricted by the donor.

Fair Value Measurements - St. Stephen's determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs which are categorized using the following hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

St. Stephen's investments are all valued using Level 1 inputs.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk - St. Stephen's places its cash with several financial institutions and brokerage firms bank deposit program and money market accounts. The financial institution and the bank deposit programs are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times the amount on deposit exceeds the insured limit of the institutions and exposes St. Stephen's to a credit risk. St. Stephen's has not experienced any losses on its cash deposits. At June 30, 2020 and 2019, deposits exceeded the federally insured limit by \$4,137,213 and \$1,764,324, respectively.

The brokerage firms maintain insurance through the Security Investor Protection Corporation (SIPC) which provides coverage to the account holders up to \$500,000 (including up to \$250,000 in cash claims). The current brokerage firm has purchased additional policies covering up to an aggregate loss limit of \$1 billion for all client claims. Securities were fully insured for both years.

Predevelopment costs - Predevelopment costs are recorded at cost and include costs related to the possible construction of a new shelter by St. Stephen's. Costs will continue to be recorded in predevelopment costs until a final determination to go forward or not with the project is made. If it is determined to go forward with the construction of a new shelter the costs will be transferred to work in progress and capitalized to building when placed in service. If it is determined that construction will not go forward, the predevelopment costs will be expensed.

Property and Equipment - Property and equipment are recorded at cost. St. Stephen's policy is to capitalize expenditures in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized.

Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Absent explicit donor restrictions regarding how long contributed assets must be used, St. Stephen's reports expiration of donor restrictions when the donated or acquired assets are placed in service.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants, Contracts, and Contributions – St. Stephen's recognizes contributions when cash, securities or other assets or an unconditional promise to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or when purpose restrictions have been met, they are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

A portion of St. Stephen'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 St. Stephen's has incurred expenditures in compliance with specific contract or grant provisions.

A portion of St. Stephen's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements other than incurrence of allowable qualifying expenses. Amounts received are recognized as revenue at the rate stated in the agreements when St. Stephen's has performed the related services required by the specific contract or grant provisions.

Revenues under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, or services performed not in compliance, the disallowance will be recorded at the time the assessment for refund is made.

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Grants receivable represent expenditures made in accordance with the terms of the awards not yet reimbursed in cash or services performed but not paid. Funding received in advance of the incurrence of project expenditures or performance of required services is recorded as a refundable advance. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on 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 grants or contributions receivable.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of June 30, 2020 and 2019, management has estimated that all of the grants receivable are collectable. Accordingly, no allowance has been provided.

Contributions - in-kind - Contributed materials are recorded at fair value when received. Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial asset or the service requires specialized skills, is provided by an individual possessing those skills, and would need to be purchased if not provided by donation.

St. Stephen's received contributed legal fees of \$10,525 in 2020, and donated clothing and household items for programs as follows:

	<u>2020</u>	<u>2019</u>
Rapid re-housing	\$ 27,354	\$ 26,909
Shelter	32,282	29,097
Family supportive housing	17,966	13,375
Street outreach	40,315	42,386
Ending long-term homelessness	<u>11,320</u>	<u>1,581</u>
Total	<u>\$ 129,237</u>	<u>\$ 113,348</u>

St. Stephen's regularly receives donated services from many volunteers. However, no amounts have been recognized for these services because they do not meet the criteria described above.

Fee Income - Fee income consists of rep payee fees, sublease of a portion of St. Stephen's facility and various immaterial sale and service fees. Rep payee fees are recognized as revenue during the month in which the related services are provided. The performance obligation of delivering the rep payee services is simultaneously received and consumed; therefore, the revenue is recognized ratably over the month. The sublease of the facility is recognized over the term to which it relates. Other sale or service fees are recognized at the point of sale.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - Expenses have been allocated among program services, management and general, and fundraising classifications based upon direct expenditures and allocations by management. Occupancy costs are allocated based on the number of staff members per program. Administrative expenses (office expense, telephone, postage) are allocated based on management's estimation of use by each program based on total expense for each program.

Operating and Nonoperating Activities - The statement of activities presents the changes in net assets from operating activities and from nonoperating activities. Operating revenues and expenses include all activities that are an integral part of the St. Stephen's programs and supporting activities. Nonoperating activities consist primarily of investment income, including realized and unrealized gains and losses.

Comparative Total Column - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with St. Stephen's financial statements for the year ended June 30, 2019, from which the information was derived.

Income Taxes - St. Stephen's is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes St. Stephen's does not have any unrelated business income or uncertain tax positions in 2020 or 2019.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to be consistent with the current year classifications. The reclassifications did not affect net assets or the change in net assets.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

3. AVAILABILITY AND LIQUIDITY

The following reflects St. Stephen's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date. Amounts not available include amounts held as a fiscal agent by St. Stephen's for the Rep Payee program.

Financial assets at June 30:	2020	2019
Cash	\$ 3,757,522	\$ 2,007,755
Investments	6,663,184	1,347,441
Accounts receivable	2,801	24,092
Grants receivable	814,287	777,029
Pledges receivable	192,500	236,000
Total financial assets	11,430,294	4,392,317
Less amounts not available to be used within a year:		
Net assets with donor restrictions (Note 9)	4,700,000	25,844
Board designated-Kopp reserve in investments	-	877,599
	4,700,000	903,443
Financial assets available to meet general expenditures over the next twelve months	\$ 6,730,294	\$ 3,488,874

The Kopp reserve (Notes 4 and 9) was excluded from assets available for general expenditures in 2019 as St. Stephen's did not intend to liquidate the investments as long as the donor offered to manage the account. In November 2019 the investment advisor managing these funds closed, and the investments were transferred to a different fund which is more available for St. Stephen's ongoing operations.

St. Stephen's occasionally receives Legacy gifts which are given without donor restrictions. Typically, these gifts are not recorded as donor restricted, but are instead internally designated. These gifts are not excluded from assets available to meet general expenditures.

St. Stephen's regularly monitors liquidity required to meet its operating needs and other commitments. Reports reviewed by the board regularly include ratios and other information to track liquidity versus St. Stephen's goals. In addition to financial assets available to meet general expenditures over the next 12 months, the Corporation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

3. AVAILABILITY AND LIQUIDITY (Continued)

The Board of St. Stephen's goal is generally to maintain financial assets to meet 3 months of operating expenses (approximately \$3 million). St. Stephen's informal policy is to keep all operating funds in cash, however, Legacy gifts and stock donations are typically kept in investments. St. Stephen's investment policy is to be generally conservative related to how much of the financial assets are invested. Investments are intended to produce 3% on average for annual cash flow requirements. To help manage unanticipated liquidity needs, St. Stephen's has a line of credit of \$350,000, which it could draw upon (Note 7).

4. INVESTMENTS

Investments consist of the following at June 30:

	2020	2019
Board designated (Kopp):		
Cash and money market funds	\$ -	\$ 103,850
U. S. common stock	-	677,229
International equities	-	96,520
Total board designated reserve (Kopp)	-	877,599
Cash and money market funds	5,814,818	456,659
U. S. common stock	846,206	11,267
Mutual funds	2,160	1,916
Total investments	<u>\$ 6,663,184</u>	<u>\$ 1,347,441</u>

Gain (loss) on investments consists of the following:

	2020	2019
Realized gains (losses), net	\$ 102,973	\$ 178,477
Interest and dividend income	33,484	7,261
Unrealized gains (losses), net	143,697	(3,513)
Investment service fees	(4,465)	(12,214)
Investment gains (loss), net	<u>\$ 275,689</u>	<u>\$ 170,011</u>

St. Stephen's had established a Board designated (Kopp) reserve. A portion of the earnings from segregated reserve investments, as determined from time to time by the Board, was to be used for St. Stephen's social service programs. The Board of Directors had approved a quarterly withdrawal of 1.25% of the previous quarter ending date balance. This board designated reserve was closed in 2020 after the investment advisor closed.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

5. **PLEDGES RECEIVABLE**

Pledges receivable are related to specific programs and general operations. All pledges are expected to be collected in the year ending June 30, 2020.

6. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>	<u>Depreciation life in years</u>
Shelter building improvements	\$ 208,728	\$ 208,728	15
Administrative leasehold improvements	<u>276,396</u>	<u>276,396</u>	5 - 15
	485,124	485,124	
Less accumulated depreciation	<u>(301,574)</u>	<u>(260,338)</u>	
	<u>\$ 183,550</u>	<u>\$ 224,786</u>	

The Kateri program ended on June 30, 2018. In October, 2018, St. Stephen's sold the Kateri building to another nonprofit who provides services to a similar population for \$300,000, and resulting in a gain on sale of \$156,535.

St. Stephen's is pursuing the acquisition of a new shelter to replace the Clinton Avenue Shelter. St. Stephen's has hired a consulting company and plans to work with a several contractors to complete this project. This project is in the early stages, so an estimate of total costs has not been made as the details are still too uncertain. St. Stephen's may use some of the investments to pay predevelopment costs and acquire a site when one is located.

7. **LINE OF CREDIT**

St. Stephen's has a revolving line of credit that enables St. Stephen's to borrow up to \$350,000. Interest accrues at a rate of 1% over the prime rate, but not less than 5.5%. The agreement expires on February 1, 2021. The line of credit is secured by all assets of St. Stephen's. As of June 30, 2020 and 2019, there were no outstanding advances on the line of credit.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

8. PAYROLL PROTECTION PROGRAM LOAN

In May 2020, St. Stephen's signed an unsecured \$825,000 note payable to Sunrise Banks, N.A. with interest at 1.0%. The note is funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if St. Stephen's uses the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, the note will be required to be repaid with monthly principal and interest payments beginning December 12, 2020 through May 12, 2022, the date all outstanding principal and interest is due. St. Stephen's expects the full amount to be forgiven in 2021.

9. DONOR RESTRICTED AND BOARD DESIGNATED NET ASSETS

Net assets with donor restrictions consist of contributions restricted for the following:

	2020	2019
Purpose restricted:		
Shelter	\$ 19,026	\$ 56,871
Rapid re-housing	307,652	25,844
Prevention	-	151,693
Street outreach	-	7,767
Strategic planning	9,672	9,700
New programming	4,998,900	
Other	20,000	-
General operations (time restricted)	-	161,000
Total net assets with donor restrictions	<u>\$ 5,355,250</u>	<u>\$ 412,875</u>

10. RETIREMENT PLAN

St. Stephen's administers the St. Stephen's Human Services 401(k) retirement savings plan (the Plan). The Plan is subject to provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Generally, all employees of St. Stephen's who are over 21 years of age and who have completed twelve months of service are eligible to participate in this plan. Participants may contribute up to the maximum allowable by law and are fully vested immediately.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

10. **RETIREMENT PLAN (Continued)**

St. Stephen's provided a discretionary contribution of 2% of any eligible employee's earnings to the Plan. St. Stephen's also provides a 3% match to employees participating in the plan. Contributions to the plan were \$113,439 and \$87,116 in 2020 and 2019, respectively.

11. **LEASE**

St. Stephen's occupies administrative space and two shelters under non-cancelable lease agreements. The leases require monthly payments for base rent plus operating expenses. Rent expense under these leases was \$769,891 in 2020 and \$412,486 in 2019.

During the year ended June 30, 2018, St. Stephen's modified its lease for the administrative space. As part of this modification, the landlord agreed to reimburse St. Stephen's for up to \$150,000 of leasehold improvements. The \$150,000 is recorded as a deferred lease incentive and is amortized over the term of the lease, using the straight-line method. Amortization is included in occupancy expense.

Future minimum lease payments required for the years ending June 30 are as follows:

2021	\$	333,877
2022		323,772
2023		328,667
2024		333,562
2025		338,458
Thereafter		<u>866,949</u>
	\$	<u>2,525,285</u>

A portion of the leased administrative space is subleased to an unaffiliated nonprofit organization. The sub-tenant is renting space from St. Stephen's on a month-to-month basis. Rent revenue of \$14,655 in 2020 and \$14,425 in 2019 is recorded in fee income.

12. **COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs that may be disallowed by the grantor agencies will be recognized in the year determined.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

12. **COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES (CONTINUED)**

Of its revenues and support, St. Stephen's received approximately 41% and 52% in 2020 and 2019 from government contracts with one government agency, and 26% in 2020 from one foundation donor.

St. Stephen's has several government grants that contain donor conditions (primarily that funds be expended before they are earned or received). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Human Services has unearned conditional contributions of the following at June, 30 2020:

Street outreach	\$ 320,196
Shelter	959,041
Rapid re-housing	3,092,804
Supportive housing	2,416,122
	<hr/>
	\$ 6,788,163
	<hr/>

Funds received from the donor in advance of the conditions being met totaled \$64,204; are recorded as refundable advances; and will subsequently be recognized as government grants and reimbursements revenue when donor conditions are met.

St. Stephen's is a defendant in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on St. Stephen's financial statements.

A nationwide public health emergency is developing in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on activities as well as recommendations for further voluntary curtailment of activities. Direct impacts on St. Stephen's include limiting the number of individuals allowed in shelters, the temporary closure of the shelter and moving clients to hotels, and switching the shelter operations to 24/7 beginning in March 2020. St. Stephen's received additional funding to pay some of the additional costs related to these changes. The future potential impact of these issues is unknown and therefore no estimate can be made at this time.

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With Comparative Information for 2019)

13. **SUBSEQUENT EVENTS**

September 17, 2020, St. Stephen's signed a three-year union contract which covers the employees for Shelter, Street Outreach, front desk, custodial and case managers.

November 11, 2020, House of Charity, Inc. and St. Stephen's Human Services Boards of Directors announced the merger of the two organizations, effective January 1, 2021.

Management has evaluated subsequent events through November 11, 2020, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

**SUPPLEMENTARY INFORMATION
AND REPORTS**

ST. STEPHEN'S HUMAN SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/ Program Title/ Pass-through Grantor	CFDA Number	Pass-through Grantor Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Office of Community Planning and Development			
Emergency Solutions Grant Program			
Pass-through programs from Hennepin County			
Department of Human Services:			
	14.231		
		COM000738	152,443
		COM001835	148,804
		HS00000336	126,434
			<u>427,681</u>
Continuum of Care			
	14.267		
Pass-through program from Hennepin County			
Department of Human Services:			
		HS00000338	486,934
		HS00000337	349,909
			<u>836,843</u>
Total U.S. Department of Housing and Urban Development			1,264,524
U.S. Department of Homeland Security			
Federal Emergency Management Agency (FEMA)			
Emergency Food and Shelter National Board			
Program			
Pass-through program from United Way			
	97.024		
		36-495000-028	28,189
		36-495000-098	6,960
Total U.S. Department of Homeland Security			<u>35,149</u>
U.S. Department of Veterans Affairs			
VA Health Administration Center			
VA Supportive Services for Veteran Families			
	64.033		
Pass-through program from Minnesota			
Assistance Council for Veterans			
		N/A	<u>114,734</u>
Total expenditures of federal awards			<u><u>\$ 1,414,407</u></u>

ST. STEPHEN'S HUMAN SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of St. Stephen's Human Services, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Stephen's Human Services, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Stephen's Human Services, Inc.

Note 2. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

St. Stephen's Human Services, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Reconciliation to the Statement of Activities:

Expenditures of federal awards as shown on previous page	\$ 1,414,407
Revenue from state grants	8,204,255
Revenue from county grants	763,123
Revenue from city grants	<u>139,864</u>
Total government grants and reimbursements	<u>\$ 10,521,649</u>



Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
St. Stephen's Human Services, Inc.
Minneapolis, Minnesota

We have audited the financial statements of St. Stephen's Human Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 11, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Stephen's Human Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Stephen's Human Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Stephen's Human Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Stephen's Human Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

November 11, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
St. Stephen's Human Services, Inc.
Minneapolis, Minnesota

Report on Compliance for the Major Federal Program

We have audited St. Stephen's Human Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on St. Stephen's Human Services, Inc.'s major federal program for the year ended June 30, 2020. St. Stephen's Human Services, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for St. Stephen's Human Services, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about St. Stephen's Human Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of St. Stephen's Human Services, Inc.'s compliance.

(Continued)

Opinion on the Major Federal Program

In our opinion, St. Stephen's Human Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of St. Stephen's Human Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Stephen's Human Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Stephen's Human Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

November 11, 2020

ST. STEPHEN'S HUMAN SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued Unmodified

"Going concern" emphasis-of-matter paragraph included in the auditor's report? _____ yes X no

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ yes X no

Identification of major program CFDA Number 14.267 –
Continuum of Care

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

(Continued)

ST. STEPHEN'S HUMAN SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters were reported.