

SOJOURNER HOUSE, INC.
AND SOJOURNER HOUSE MOMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2023



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January 10, 2024

To the Boards of Directors
Sojourner House, Inc. and Sojourner House MOMS, Inc.
Pittsburgh, Pennsylvania

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sojourner House, Inc. and Sojourner House MOMS, Inc. (nonprofit organizations, collectively the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sojourner House, Inc. and Sojourner House MOMS, Inc. as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Sojourner House, Inc. and Sojourner House MOMS, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Sojourner House, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the 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 Sojourner House, Inc. and Sojourner House MOMS, Inc.'s ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Sojourner House, Inc. and Sojourner House MOMS, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sojourner House, Inc. and Sojourner House MOMS, 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 audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 19 to 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 January 10, 2024, on our consideration of Sojourner House, Inc. and Sojourner House MOMS, 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 Sojourner House, Inc. and Sojourner House MOMS, 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 Sojourner House, Inc. and Sojourner House MOMS, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountants

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 793,470
Investments	1,428,850
Receivables, net	301,025
Prepaid expenses	39,022

TOTAL CURRENT ASSETS 2,562,367

PROPERTY AND EQUIPMENT

Land	69,240
Land improvements	104,935
Buildings	6,327,645
Building improvements	2,002,282
Furniture and equipment	452,630
Vehicles	163,265

	9,119,997
Less accumulated depreciation	4,922,331

NET PROPERTY AND EQUIPMENT 4,197,666

FINANCE LEASE RIGHT-OF-USE ASSET, NET 16,316

TOTAL ASSETS \$ 6,776,349

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 166,956
Current portion of long-term debt	8,333
Current portion of finance lease liability	3,952

TOTAL CURRENT LIABILITIES 179,241

NONCURRENT LIABILITIES

Long-term debt	3,385,520
Long-term finance lease obligation	14,148

TOTAL LIABILITIES 3,578,909

NET ASSETS

Without donor restrictions	3,139,995
With donor restrictions	57,445

TOTAL NET ASSETS 3,197,440

TOTAL LIABILITIES AND NET ASSETS \$ 6,776,349

See accompanying notes to consolidated financial statements

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.**CONSOLIDATED STATEMENT OF ACTIVITIES**Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Program service fee revenue, net	\$ 1,753,904	\$ -	\$ 1,753,904
Government grants	1,362,139	-	1,362,139
Other grants and public support	316,294	121,265	437,559
Investment income, net	128,261	-	128,261
Special events	32,671	-	32,671
In-kind contributions	33,736	-	33,736
Other	3,673	-	3,673
	<u>3,630,678</u>	<u>121,265</u>	<u>3,751,943</u>
Net assets released from restrictions	<u>170,093</u>	<u>(170,093)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>3,800,771</u>	<u>(48,828)</u>	<u>3,751,943</u>
<u>EXPENSES</u>			
Client services	1,377,248	-	1,377,248
Housing operations	983,123	-	983,123
Supportive services	597,334	-	597,334
General and administrative	603,793	-	603,793
Fundraising	216,558	-	216,558
	<u>3,778,056</u>	<u>-</u>	<u>3,778,056</u>
TOTAL EXPENSES	<u>3,778,056</u>	<u>-</u>	<u>3,778,056</u>
CHANGE IN NET ASSETS	22,715	(48,828)	(26,113)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>3,117,280</u>	<u>106,273</u>	<u>3,223,553</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 3,139,995</u>	<u>\$ 57,445</u>	<u>\$ 3,197,440</u>

See accompanying notes to consolidated financial statements

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	<u>Client Services</u>	<u>Housing Operations</u>	<u>Supportive Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>PERSONNEL EXPENSES</u>						
Salaries	\$ 711,076	\$ 82,356	\$ 395,969	\$ 289,087	\$ 81,982	\$ 1,560,470
Payroll taxes	59,940	6,232	29,963	25,619	4,781	126,535
Employee benefits	110,288	11,185	69,579	25,944	16,776	233,772
 TOTAL PERSONNEL EXPENSES	 881,304	 99,773	 495,511	 340,650	 103,539	 1,920,777
<u>OPERATING EXPENSES</u>						
Depreciation	35,084	247,868	26,783	4,134	-	313,869
Utilities	87,883	216,360	-	-	-	304,243
Client services	87,546	-	43,220	-	-	130,766
Building maintenance	101,862	323,034	-	-	-	424,896
Vehicle expense	26,240	-	13,436	-	-	39,676
Insurance	29,921	34,546	-	5,692	-	70,159
Staff development	70,690	-	1,371	27,305	222	99,588
Property management fee	-	8,234	-	-	-	8,234
Office supplies	-	8,536	-	10,672	-	19,208
Other expense	10,083	-	17,013	2,590	272	29,958
Marketing and special events	-	-	-	-	78,596	78,596
Professional fees	-	-	-	191,168	33,929	225,097
Leases	5,790	44,772	-	21,582	-	72,144
Contractual writeoffs	40,845	-	-	-	-	40,845
 TOTAL OPERATING EXPENSES	 495,944	 883,350	 101,823	 263,143	 113,019	 1,857,279
 TOTAL EXPENSES	 \$ 1,377,248	 \$ 983,123	 \$ 597,334	 \$ 603,793	 \$ 216,558	 \$ 3,778,056

See accompanying notes to consolidated financial statements

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (26,113)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	313,869
Amortization of finance lease right-of-use asset	5,821
Realized and unrealized gain on investments	(124,527)
Contractual writeoffs	40,845
(Increase) decrease in assets:	
Receivables	(151,484)
Prepaid expenses	1,172
Increase in liabilities:	
Accounts payable and accrued expenses	71,631
	<u>131,214</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>131,214</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(112,076)
Proceeds from sale of investments	177,280
Purchase of investments	(466,955)
	<u>(401,751)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(401,751)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	(12,056)
Payments on finance lease obligation	(4,037)
	<u>(16,093)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(16,093)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (286,630)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 1,080,100

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 793,470

NONCASH INVESTING AND FINANCING ACTIVITIES

Recognition of finance right-to-use assets in exchange for finance lease liabilities	<u><u>\$ 20,394</u></u>
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See accompanying notes to consolidated financial statements

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Sojourner House, Inc. (SHI) is a Pennsylvania not-for-profit organization that provides compassionate faith based recovery services for mothers and their children to help break the intergenerational cycle of addiction. SHI is licensed by the Commonwealth of Pennsylvania as a women and children's residential rehabilitation facility. Women live on-site, in their own apartments with up to three children, and both mothers and children receive services designed to help the mothers achieve sobriety and to repair family relationships injured as a result of the mother's history of severe abuse of chemicals and other substances.

SHI provides comprehensive services including counseling, treatment and spirituality groups, on-site 12 step recovery groups, life skills training, parenting education, and referral. Youngsters are served in a Children's Center, school age children receive Drug and Alcohol Prevention services, recreation and homework support.

Sojourner House MOMS, Inc. (MOMS) is a nonprofit organization established in 2004, through the cooperation of SHI, East Liberty Development, Inc. and Negley Place Neighborhood Alliance. MOMS (Motivation Opportunities Mentoring Spirituality) provides safe, independent housing and supportive services for homeless, single, dual-diagnosed parents in recovery and their dependent children. The goal is to help parents and children to successfully continue their recovery and confidently transition into the community. The MOMS program focuses on strengthening family relationships, promoting self-sufficiency, long-term sobriety, and mental health.

Basis of Consolidation

The consolidated financial statements include the accounts of SHI and MOMS (collectively the Organization) based on elements of control and economic interest. All material intra-entity accounts and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, whereby, revenue, grants and public support is recognized when earned, expenses are recognized when incurred, and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets have been recorded and reported as changes in net assets without donor restrictions or net assets with donor restrictions.

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 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.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with maturities of three months or less to be cash equivalents. The Organization maintains cash balances which may, at times, exceed federally insured amounts. The Organization expects no losses related to these cash balances.

Investments

Publicly traded investments are recorded at fair value determined on the basis of closing market prices or bid quotations. Purchases and sales of investments are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred, whereas the costs of property and equipment additions and improvements are capitalized. Depreciation expense has been computed using the straight-line method based upon the following estimated useful lives:

Buildings	35 years
Building improvements	3 - 35 years
Land improvements	15 years
Furniture and equipment	3 - 35 years
Vehicles	5 years

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Donated assets are capitalized, and recorded as support, at their fair value at the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash or promises to give used to acquire property and equipment, are reported as support with donor restrictions. 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 as instructed by the donor.

Allegheny County retains a reversionary interest in SHI and MOMS real estate and equipment acquired through their funding with an aggregate historical cost of \$7,484,708 at June 30, 2023.

Receivables, Revenues and Other Support

Program service fee revenue is recognized when earned at contractual rates. Certain contractual revenue is subject to an unpaid contractual allowance and client service may not ultimately be realized. Accordingly, the Organization recorded \$40,845 of unreimbursed service days (charity care) for the year ended June 30, 2023.

The Organization is the recipient of funds under several federal and county award programs. The majority of these funds are received on a cost reimbursement basis. Revenues from these grants are recognized to the extent of cost incurred under the grants.

Accounts receivable are stated at the contractual amount billed. Account balances with invoices dated over 90 days old are considered past due. The Organization historically does not charge interest on past due accounts. Payments of receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, the payment is applied to the oldest unpaid invoices.

The carrying amount of accounts receivable is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. Each balance is individually reviewed when all or a portion of the balance exceeds 90 days from the invoice date. Based on management's assessment of current creditworthiness, an estimate is made of the portion, if any, of the balance that will not be collected. Receivables are written off as a charge to the allowance for doubtful accounts when, in management's estimation, it is probable that the receivable is worthless.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

Promises to give are carried at net present value less an estimate made for potentially uncollectible accounts based on management's evaluation of an individual donor's payment history and current economic conditions. Promises to give are written off when deemed uncollectible.

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Contributed services are recorded at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialty skills and are provided by individuals possessing such specialized skills. No amounts have been reflected in the consolidated financial statements for donated services.

During the year ended June 30, 2023, individuals donated in excess of 920 hours of volunteer service to assist the Organization with carrying out its missions. Such contributed services do not meet the criteria for recognition of contributed services and are not reflected in the accompanying consolidated financial statements.

In-Kind Contributions

The Organization records various types of in-kind contributions including fundraiser items and household goods. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in expenses or asset additions. The fair value of tangible assets included in the consolidated financial statements and the corresponding expenses for the period ended June 30, 2023 were \$33,736. The donated items were used for fundraising and operations.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs not charged directly to a program have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis through the structure of its general ledger, evaluation of individual employee functions and reasonable allocation methods. Natural expense categories attributable to multiple functions, including salaries, payroll taxes, personnel benefits, property insurance, depreciation, and administrative charges are allocated based either on square footage, time and effort, or time studies performed.

Income Tax Status

SHI and MOMS are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, each qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Subsequent Events

Management evaluated all activity of the Organization through January 10, 2024, the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements or notes.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (ASC Topic 842), which supersedes ASC 840, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. For private companies, the standard is effective for annual periods beginning on or after December 15, 2021, with earlier application permitted. The standard was adopted effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the year of adoption). No cumulative effect adjustment to changes in net assets was required.

Leases

At inception of a contract, the Organization assesses whether a contract is, or contains, a lease. This assessment is based on (1) whether the contract involves the use of a distinct identified asset, (2) whether the Organization obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Organization has the right to direct the use of the asset. Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset, the present value of the lease payments equals or exceeds substantially all of the fair value of the asset, or the underlying asset is of such a specialized nature that it is not expected to have an alternative use at the end of the lease term. A lease is classified as an operating lease if it does not meet any one of these criteria. The lease classification affects the expense recognition on the consolidated statement of activities and changes in net assets. Operating lease costs are recorded entirely in operating expenses on a straight-line basis over the lease term. Finance lease costs are split, where amortization of the right-of-use (ROU) asset is recorded in expenses and an implied interest component is recorded in interest expense.

Operating leases are included in operating lease right-of-use asset, net, current maturities of operating lease obligations, and long-term operating lease obligations in the Organization’s consolidated statements of financial position. Finance leases are included in finance lease right-of-use asset, net, current maturities of finance lease obligations, and long-term finance lease obligations in the Organization’s consolidated statements of financial position.

Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. In determining the present value of lease payments, the Organization uses a risk-free rate. The right-of-use asset also includes any lease payments made at or before commencement date, plus any initial direct costs incurred, less any lease incentives received.

The Organization’s leases may have options to either extend or terminate the lease. In determining the lease term, the Organization considered all available contract extensions that are reasonably certain of occurring. In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily determinable, the Organization uses a risk-free rate or comparable rate from pre-existing debt.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2023:

Financial assets at year end:

Cash and cash equivalents	\$ 793,470
Investments	1,428,850
Receivables, net	301,025
Total Financial Assets	<u>2,523,345</u>

Less amounts not available to be used within one year:

Board-designated	1,078,230
Net assets with donor restrictions	57,445
Total not available to meet general expenditures	<u>1,135,675</u>

Financial assets available to meet general expenditures
over the next twelve months

\$ 1,387,670

As part of the Organization's liquidity management plan, the Organization has designated its money market account and investment account to cover expenses. Additionally, the Organization has a \$100,000 line of credit available for use if necessary.

The Organization has certain net assets with donor restrictions limited to use for certain programming, the majority of which are expected to be satisfied within one year. Additionally, certain board-designated assets are designated for MOMS future debt obligations. These assets limited to use are not available for general expenditure within the next year. However, the board-designated amounts could be made available if necessary.

NOTE C – INVESTMENTS

Investments in marketable securities with readily determinable fair values are valued at their fair value in the accompanying consolidated statement of financial position. Level 1 inputs are based on quoted prices in active markets.

Investments by fair value hierarchy level at June 30, 2023 consist of the following:

	Level 1
U.S. and international equities	\$ 832,029
U.S. and international bond funds	482,625
Emerging markets exchange traded funds	114,196
	<u>\$ 1,428,850</u>

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE C – INVESTMENTS (CONTINUED)

Investment gain for the year ended June 30, 2023 is summarized as follows:

Net unrealized market gain	\$ 99,425
Realized gain on investments	8,824
Interest and dividends	<u>30,639</u>
Total Investment Gain	138,888
Less investment management fees	<u>10,627</u>
Investment Gain, Net	<u><u>\$ 128,261</u></u>

NOTE D – RECEIVABLES

The Organization's current receivables at June 30, 2023 consist of the following:

HUD Grants Continuum of Care	\$ 115,084
Third-party payors	<u>187,441</u>
	302,525
Less allowance for doubtful accounts	<u>1,500</u>
Receivables, Net	<u><u>\$ 301,025</u></u>

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – LONG-TERM DEBT

The following summarizes the balances at June 30, 2023:

1. URA Mortgage	\$ 30,953
2. URA Mortgage	110,000
3. Line of Credit	-
4. Federal Home Loan Bank Note Payable	500,000
5. URA Note Payable	300,000
6. Housing Authority of the City of Pittsburgh Note Payable	1,300,000
7. Pennsylvania Housing Finance Agency Note Payable	480,000
8. URA Note Payable	360,000
9. URA Note Payable	<u>312,900</u>
TOTAL LONG-TERM DEBT	3,393,853
Less current portion	<u>8,333</u>
NONCURRENT PORTION OF LONG-TERM DEBT	<u><u>\$ 3,385,520</u></u>

1. The Urban Redevelopment Authority (URA) City of Pittsburgh mortgage was issued on May 14, 1991, in the amount of \$250,000. The non-interest bearing mortgage requires monthly principal payments of \$694 beginning December 31, 1996 through November 1, 2026. The mortgage is secured by SHI's land and building located at 5460 Penn Avenue, Pittsburgh, Pennsylvania.
2. The Urban Redevelopment Authority City of Pittsburgh mortgage was issued on May 14, 1991, in the amount of \$110,000. The non-interest bearing mortgage requires a balloon payment of \$110,000 on May 14, 2090, or upon sale of the underlying security, whichever occurs first. The mortgage is secured by SHI's land and building located at 5460 Penn Avenue, Pittsburgh, Pennsylvania.
3. SHI has an unsecured committed line of credit with a local bank in the amount of \$100,000 which expires on July 22, 2024. There were no borrowings outstanding at June 30, 2023. The line of credit charges interest at prime rate plus 1%, which totaled 9.25% at June 30, 2023.
4. MOMS note payable to Federal Home Loan Bank in the amount of \$500,000. The note is interest-free during its fifteen-year term. The principal balance will be forgiven at the end of the fifteen-year term (2024) if the rental units are occupied in accordance with affordable housing contracts. The note is secured by two open-ended mortgages on real property.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – LONG-TERM DEBT (CONTINUED)

5. MOMS note payable to Urban Redevelopment Authority City of Pittsburgh in the amount of \$300,000. The note is interest-free during its thirty-year term. Payments to be made from a percentage of cash flow with the outstanding balance of principal due upon maturity (2038). The note is secured by an open-ended mortgage on the real property.
6. MOMS note payable to Housing Authority of the City of Pittsburgh in the amount of \$1,300,000. The note is interest-free during the thirty-year term. The entire principal shall be forgiven at the end of the thirty-year term (2036) unless there is default on the mortgage loan document, sale of the property, or upon termination of the project. The note is secured by an open-ended mortgage on the real property.
7. MOMS note payable to Pennsylvania Housing Finance Agency (PHFA) in the amount of \$480,000. The note is interest-free during its thirty-year term (ending 2036). Payment of principal only shall be made from excess revenue generated during any calendar year as may be provided in the PHFA regulatory agreement. The note is secured by an open-ended mortgage on real property.
8. MOMS note payable to Urban Redevelopment Authority City of Pittsburgh in the amount of \$360,000. The note is interest-free during its thirty-year term. Beginning on May 1, 2024 and continuing on May 1st of each year, the borrower shall make an annual payment in an amount equal to 25% of the net cash flow from the Open Arms project. The note is secured by an open-ended mortgage on real property.
9. MOMS note payable to Urban Redevelopment Authority City of Pittsburgh in the amount of \$312,900. The note is interest-free during its thirty-year term. Beginning on May 1, 2024 and continuing on May 1st of each year, the borrower shall make an annual payment in an amount equal to 25% of the net cash flow from the Sankofa project. The note is secured by an open-ended mortgage on real property.

The principal payments due for long-term debt and capitalized lease obligations not expected to be forgiven for each of the next five years and thereafter, and in aggregate are summarized below:

<u>Year</u>	<u>Long-Term Debt</u>
2024	\$ 8,333
2025	8,333
2026	14,287
2027	-
2028	-
Thereafter	<u>110,000</u>
	<u><u>\$ 140,953</u></u>

MOMS expects the provisions, which allow forgiveness of various obligations, will be met and operations will not result in sufficient cash flow levels requiring payment of various obligations.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS AND BOARD-DESIGNATED NET ASSETS

As of June 30, 2023, net assets with donor restrictions were comprised of \$57,445 for restrictions expected to be satisfied in subsequent years. For the year ended June 30, 2023, MOMS restrictions for net assets consisted of \$2,717 for male mentoring and \$3,980 for other restrictions. For the year ended June 30, 2023, SHI net assets with donor restrictions consisted of \$38,087 for workforce stabilization, \$12,100 for psychiatric support, and \$561 for other restrictions.

In addition, the Board has designated, from net assets without donor restrictions, net assets for MOMS future debt obligations. For the year ended June 30, 2023, the Board designated \$1,078,230 of net assets without donor restrictions for this purpose.

NOTE G – INTRA-ENTITY TRANSACTIONS

SHI is related to MOMS through common Board members. Also, the MOMS by-laws identify the MOMS organization as a membership corporation and SHI is the sole member. The following summarizes the various transactions between the two entities. Effective January 1, 2015, SHI and MOMS entered into an Administrative Service Agreement whereas SHI will provide to MOMS, as an independent contractor, directly or indirectly, certain general administrative, payroll processing, accounting and finance, human resources, programming and clinical oversight, IT and telecommunications and personnel and staffing. The term of this Agreement shall commence on the effective date and shall continue until the fifth (5) anniversary of the effective date. This agreement expired on December 31, 2020 and a summary of this agreement was added to the fiscal policies and procedures manual.

SHI shall organize certain fundraising services, including the creation, organization, promotion and management of events, special campaigns and appeals for the purpose of SHI's operations and MOMS' operations. All revenue derived from such fundraising services, including gifts, funds, donations, contributions and grants of any kind or type shall be apportioned between SHI and MOMS. In 2015, the apportionment was determined to be approximately 50% to SHI and 50% to MOMS.

Reimbursed Allocation of Expenditures

The costs charged to MOMS are allocated by SHI based on time equivalency or direct cost methods and are reimbursed by MOMS on a monthly basis. The cumulative amount of expenditures paid by SHI on behalf of MOMS during the year ended June 30, 2023 was \$1,065,558.

The net receivable balance due from MOMS to SHI at June 30, 2023, amounted to \$83,862.

Shared Revenues

Unrestricted fundraising revenues from individuals, foundations, churches, United Way, and the Victorian Tea approximated \$340,000 for the year ended June 30, 2023. According to the agreement, the amount apportioned to MOMS was 50%. The actual cost and expenses incurred toward those revenues were charged to each entity as fundraising expenses.

SOJOURNER HOUSE, INC. AND SOJOURNER HOUSE MOMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE H – RETIREMENT PLAN

Eligible employees participate in a 401(k) Profit Sharing Plan. Any employee 18 or older that is employed on the last day of the plan year will be eligible to receive a discretionary match. Employees may elect to defer up to \$22,500 annually with a maximum amount of 92% of compensation. Participants who are age 50 or over by the end of the plan year may make additional catch-up contributions of up to \$7,500. During the year ended June 30, 2023, the Organization contributed \$-0- to the plan.

NOTE I – LEASES

Leases, July 1, 2022 and After Under ASC 842

SHI entered into an extension on their operating lease arrangement in March 2018, for office space at 5907 Penn Avenue, Pittsburgh, Pennsylvania. The lease term, with a monthly payment of \$2,120, expired as of July 2022 and is now month-to-month. MOMS is subleasing a portion of the office space for \$1,058 per month. The Organization also leases various apartments with terms no longer than one year as part of their housing program. Total rent expense for the year ended June 30, 2022 was \$72,144.

The Organization has a finance lease for copiers. The finance lease expires in June 2027. The Organization's lease expense under these agreements amounted to \$3,833 for the year ended June 30, 2023. The discount rate used to value the finance lease is 3.06%, utilizing the risk-free rate. The remaining term of the finance lease is 4 years.

Future maturities of lease obligations as of June 30, 2023 are as follows:

<u>Year ending,</u>	
2024	\$ 4,404
2025	4,404
2026	4,404
2027	5,943
	<u>19,155</u>
Less amount representing interest	<u>1,055</u>
Present value of future minimum lease payments	<u><u>\$ 18,100</u></u>

NOTE J – CONCENTRATIONS

During 2023, all of SHI's program service fee revenue was received from two managed care organizations.

During 2023, MOMS received approximately 81% of its total revenue from government grants. In the event funding is significantly reduced or terminated, MOMS' ability to continue as a going concern would be greatly diminished.

A significant amount of the Organization's receivables is from these funding sources.

SUPPLEMENTARY INFORMATION

SOJOURNER HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 167,796
Investments	1,428,850
Receivables, net	185,941
Due from Sojourner House MOMS, Inc.	83,862
Prepaid expenses	20,089

TOTAL CURRENT ASSETS	1,886,538
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PROPERTY AND EQUIPMENT

Land	50,000
Buildings	679,825
Building improvements	164,218
Furniture and equipment	71,080
Vehicles	25,628

	990,751
Less accumulated depreciation	747,166

NET PROPERTY AND EQUIPMENT	243,585
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FINANCE LEASE RIGHT-OF-USE ASSET, NET

8,158

TOTAL ASSETS	\$ 2,138,281
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 127,041
Current portion of long-term debt	8,333
Current portion of finance lease liability	1,976

TOTAL CURRENT LIABILITIES	137,350
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NONCURRENT LIABILITIES

Long-term debt	132,620
Long-term finance lease obligation	7,817

TOTAL LIABILITIES	277,787
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NET ASSETS

Without donor restrictions	1,809,746
With donor restrictions	50,748

TOTAL NET ASSETS	1,860,494
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,138,281
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SOJOURNER HOUSE, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Program service fee revenue, net	\$ 1,738,832	\$ -	\$ 1,738,832
Other grants and public support	80,011	71,265	151,276
Investment income, net	126,984	-	126,984
Special events	32,671	-	32,671
In-kind contributions	18,653	-	18,653
	<u>1,997,151</u>	<u>71,265</u>	<u>2,068,416</u>
 Net assets released from restrictions	 <u>58,017</u>	 <u>(58,017)</u>	 <u>-</u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>2,055,168</u>	 <u>13,248</u>	 <u>2,068,416</u>
 <u>EXPENSES</u>			
Client services	1,377,248	-	1,377,248
General and administrative	354,891	-	354,891
Fundraising	106,747	-	106,747
	<u>1,838,886</u>	<u>-</u>	<u>1,838,886</u>
 TOTAL EXPENSES	 <u>1,838,886</u>	 <u>-</u>	 <u>1,838,886</u>
 CHANGE IN NET ASSETS	 216,282	 13,248	 229,530
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	 <u>1,593,464</u>	 <u>37,500</u>	 <u>1,630,964</u>
 <u>NET ASSETS AT END OF YEAR</u>	 <u>\$ 1,809,746</u>	 <u>\$ 50,748</u>	 <u>\$ 1,860,494</u>

SOJOURNER HOUSE MOMS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 625,674
Receivables, net	115,084
Prepaid expenses	<u>18,933</u>

TOTAL CURRENT ASSETS 759,691

PROPERTY AND EQUIPMENT

Land	19,240
Land improvements	104,935
Buildings	5,647,820
Building improvements	1,838,064
Furniture and equipment	381,550
Vehicles	<u>137,637</u>

	8,129,246
Less accumulated depreciation	<u>4,175,165</u>

NET PROPERTY AND EQUIPMENT 3,954,081

FINANCE LEASE RIGHT-OF-USE ASSET, NET

8,158

TOTAL ASSETS \$ 4,721,930

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 39,915
Due to Sojourner House, Inc.	83,862
Current portion of finance lease liability	<u>1,976</u>

TOTAL CURRENT LIABILITIES 125,753

NONCURRENT LIABILITIES

Long-term debt	3,252,900
Long-term finance lease obligation	<u>6,331</u>

TOTAL LIABILITIES 3,384,984

NET ASSETS

Without donor restrictions	1,330,249
With donor restrictions	<u>6,697</u>

TOTAL NET ASSETS 1,336,946

TOTAL LIABILITIES AND NET ASSETS \$ 4,721,930

SOJOURNER HOUSE MOMS, INC.**STATEMENT OF ACTIVITIES****Year ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Program service fee revenue, net	\$ 15,072	\$ -	\$ 15,072
Government grants	1,362,139	-	1,362,139
Other grants and public support	236,283	50,000	286,283
Investment income, net	1,277	-	1,277
In-kind contributions	15,083	-	15,083
Miscellaneous income	3,673	-	3,673
	<u>1,633,527</u>	<u>50,000</u>	<u>1,683,527</u>
 Net assets released from restrictions	 <u>112,076</u>	 <u>(112,076)</u>	 <u>-</u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>1,745,603</u>	 <u>(62,076)</u>	 <u>1,683,527</u>
 <u>EXPENSES</u>			
Housing operations	983,123	-	983,123
Supportive services	597,334	-	597,334
General and administrative	248,902	-	248,902
Fundraising	109,811	-	109,811
	<u>1,939,170</u>	<u>-</u>	<u>1,939,170</u>
 TOTAL EXPENSES	 <u>1,939,170</u>	 <u>-</u>	 <u>1,939,170</u>
 CHANGE IN NET ASSETS	 (193,567)	 (62,076)	 (255,643)
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	 <u>1,523,816</u>	 <u>68,773</u>	 <u>1,592,589</u>
 <u>NET ASSETS AT END OF YEAR</u>	 <u>\$ 1,330,249</u>	 <u>\$ 6,697</u>	 <u>\$ 1,336,946</u>

SOJOURNER HOUSE MOMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

<u>FEDERAL GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>PASS- THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>AWARD AMOUNT</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-through the Pennsylvania Department of Human Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	\$ 180,000	\$ 180,000
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through the Pennsylvania Department of Human Services:				
Continuum of Care Program	14.267	247238	<u>929,455</u>	<u>929,455</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$1,109,455</u></u>	<u><u>\$ 1,109,455</u></u>

See accompanying notes to schedule of expenditures of federal awards

SOJOURNER HOUSE MOMS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Sojourner House MOMS, Inc. under programs of the federal government for the year ended June 30, 2023. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sojourner House MOMS, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Sojourner House MOMS, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Pass-through entity identifying numbers are presented where available. No funds were provided to sub-recipients.

NOTE C – INDIRECT COST RATE

Sojourner House MOMS, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



January 10, 2024

To the Board of Directors of
Sojourner House, Inc. and Sojourner House MOMS, Inc.
Pittsburgh, Pennsylvania

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

We have audited, in accordance with the 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, the consolidated financial statements of Sojourner House, Inc. and Sojourner House MOMS, Inc. (nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Sojourner House, Inc. and Sojourner House MOMS, Inc., we considered Sojourner House, Inc. and Sojourner House MOMS, 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sojourner House, Inc. and Sojourner House MOMS, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sojourner House, Inc. and Sojourner House MOMS, 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sojourner House, Inc. and Sojourner House MOMS, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of their 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 Sojourner House, Inc. and Sojourner House MOMS, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sojourner House, Inc. and Sojourner House MOMS, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hill, Barth & King LLC". The script is cursive and fluid.

Certified Public Accountants



January 10, 2024

To the Board of Directors of
Sojourner House MOMS, Inc.
Pittsburgh, Pennsylvania

Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Sojourner House MOMS, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Sojourner House MOMS, Inc.'s major federal program for the year ended June 30, 2023. Sojourner House MOMS, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sojourner House MOMS, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sojourner House MOMS, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Sojourner House MOMS, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sojourner House MOMS, Inc.'s federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sojourner House MOMS, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sojourner House MOMS, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Sojourner House MOMS, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sojourner House MOMS, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Sojourner House MOMS, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibility for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Hill, Barth & King LLC

Certified Public Accountants

SOJOURNER HOUSE MOMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs’ Compliance Opinion	Unmodified
Are there reportable findings under the Uniform Guidance?	No
Major Programs (list):	Continuum of Care Program, Federal Assistance Listing Number 14.267
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
Low Risk Auditee?	Yes

SOJOURNER HOUSE MOMS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2023

**SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**SECTION 3 – FINDINGS AND QUESTIONED COSTS
FOR MAJOR FEDERAL AWARD PROGRAMS**

None

SOJOURNER HOUSE MOMS, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2023

None