

THE SPRING

THE SPRING SHELTER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

WITH

INDEPENDENT AUDITOR'S REPORT

CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position.....	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses.....	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements.....	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Spring Shelter, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Spring Shelter, Inc., which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements (collectively, the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Spring Shelter, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Tulsa, Oklahoma
September 22, 2021

THE SPRING SHELTER, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 390,165	\$ 349,657
Accounts receivable	15,100	768
Inventory	5,000	5,000
	410,265	355,425
Total current assets	410,265	355,425
Property and equipment, net	1,605,511	1,635,874
Investments	504,365	630,347
Endowments:		
Investments	1,170,758	1,231,260
Beneficial interest in assets held by community foundation	16,999	15,016
	1,187,757	1,246,276
Total endowments	1,187,757	1,246,276
Total assets	\$ 3,707,898	\$ 3,867,922
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 19,908	\$ 14,771
Accrued expenses and other liabilities	12,312	13,786
	32,220	28,557
Total current liabilities	32,220	28,557
Net assets:		
Without donor restrictions:		
Undesignated	753,692	797,955
Board-designated	128,688	111,379
Investment in property and equipment	1,605,511	1,635,874
	2,487,891	2,545,208
Total net assets without donor restriction	2,487,891	2,545,208
With donor restrictions	1,187,787	1,294,157
	3,675,678	3,839,365
Total net assets	3,675,678	3,839,365
Total liabilities and net assets	\$ 3,707,898	\$ 3,867,922

THE SPRING SHELTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 1,025,573	\$ 99,953	\$ 1,125,526	\$ 1,020,702	\$ 84,510	\$ 1,105,212
Net investment return (loss)	(60,125)	(55,047)	(115,172)	111,256	187,232	298,488
Thrift shop	100,359	-	100,359	78,231	-	78,231
Special events:						
Revenue	24,873	-	24,873	63,216	-	63,216
Less cost of direct benefits to donors	(26,382)	-	(26,382)	(27,867)	-	(27,867)
Net special event revenue (loss)	(1,509)	-	(1,509)	35,349	-	35,349
Other	16,947	-	16,947	13,569	-	13,569
Forgiveness of PPP loan (see Note 9)	198,700	-	198,700	-	-	-
Net assets released from restrictions	151,276	(151,276)	-	87,217	(87,217)	-
Total revenues, gains and other support	1,431,221	(106,370)	1,324,851	1,346,324	184,525	1,530,849
Expenses and Losses						
Program services expense	889,492	-	889,492	732,847	-	732,847
Supporting services expense:						
Fundraising and development	194,661	-	194,661	179,001	-	179,001
Thrift shop	83,081	-	83,081	48,743	-	48,743
Management and general	321,304	-	321,304	256,800	-	256,800
Total supporting services expense	599,046	-	599,046	484,544	-	484,544
Total expenses and losses	1,488,538	-	1,488,538	1,217,391	-	1,217,391
Change in net assets	(57,317)	(106,370)	(163,687)	128,933	184,525	313,458
Net assets, beginning of year	2,545,208	1,294,157	3,839,365	2,416,275	1,109,632	3,525,907
Net assets, end of year	<u>\$ 2,487,891</u>	<u>\$ 1,187,787</u>	<u>\$ 3,675,678</u>	<u>\$ 2,545,208</u>	<u>\$ 1,294,157</u>	<u>\$ 3,839,365</u>

See notes to consolidated financial statements.

THE SPRING SHELTER, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31, 2020 and 2019

	2020					2019				
	Program Services	Fundraising and Development	Thrift Shop	Management and General	Total	Program Services	Fundraising and Development	Thrift Shop	Management and General	Total
Personnel	\$ 667,552	\$ 129,469	\$ 43,649	\$ 183,700	\$ 1,024,370	\$ 524,044	\$ 117,668	\$ -	\$ 142,706	\$ 784,418
Program operations	21,988	-	-	-	21,988	19,029	-	-	-	19,029
Office operations	4,720	1,507	-	40,339	46,566	3,944	1,679	-	31,443	37,066
General	36,310	1,223	7,193	49,836	94,562	35,868	966	20,974	37,347	95,155
Shelter operations	82,693	4,929	32,239	28,372	148,233	77,540	6,050	27,769	27,199	138,558
Depreciation	76,229	-	-	19,057	95,286	72,422	-	-	18,105	90,527
Postage and publications	-	83,915	-	-	83,915	-	80,505	-	-	80,505
Total expenses by function	889,492	221,043	83,081	321,304	1,514,920	732,847	206,868	48,743	256,800	1,245,258
Less expenses included with revenues on the statement of activities:										
Cost of direct benefits to donors	-	(26,382)	-	-	(26,382)	-	(27,867)	-	-	(27,867)
Total expenses included in the expense section on the statement of activities	\$ 889,492	\$ 194,661	\$ 83,081	\$ 321,304	\$ 1,488,538	\$ 732,847	\$ 179,001	\$ 48,743	\$ 256,800	\$ 1,217,391

See notes to consolidated financial statements.

THE SPRING SHELTER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (163,687)	\$ 313,458
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,286	90,527
Gain on sale of property and equipment	-	(600)
Forgiveness of PPP loan (see Note 9)	(198,700)	-
Net realized and unrealized loss (gain) on investments	115,172	(246,834)
Change in operating assets and liabilities:		
Accounts receivable	(14,332)	-
Accounts payable	5,137	14,771
Accrued expenses and other liabilities	(1,474)	1,961
	(162,598)	173,283
Cash Flows from Investing Activities		
Purchases of property and equipment	(64,923)	(92,685)
Purchases of investments	(258,357)	(36,202)
Proceeds from sales and maturities of investments	327,686	135,523
Proceeds from sale of long-term assets	-	600
	4,406	7,236
Cash Flows from Financing Activities		
Proceeds from PPP loan (see Note 9)	198,700	-
	40,508	180,519
Net change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	349,657	169,138
	\$ 390,165	\$ 349,657
Cash and cash equivalents, end of year	\$ 390,165	\$ 349,657

THE SPRING SHELTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

The Spring Shelter, Inc. (TSS) is a nonprofit organization and one of only two certified shelters for battered and sexually assaulted women and their children in the Tulsa metropolitan area, and the only faith-based domestic violence shelter in Oklahoma. TSS is the first shelter to be certified by the Oklahoma Attorney General's office to address the special needs of victims of human sexual trafficking. TSS' mission is to help women and children in crisis and adult sexual trafficking victims regain self-confidence, independence, and self-sufficiency through spiritual guidance, social services, and goal-based programs. TSS provides food, shelter, clothing, transportation, and vital life tools for as many as 66 women and children at risk at a time. A privately funded shelter, TSS depends upon financial gifts, volunteer services, in-kind contributions, and revenue from a thrift shop. In November 2020, TSS changed its name to The Spring Shelter, Inc. from DaySpring Villa Women and Children's Shelter, Inc.

In 2012, TSS established DaySpring Villa Women and Children's Shelter Endowment Trust (the Trust) as an entity with a separate tax identification number for the purpose of investing contributions received for endowment. The assets of the Trust and related income are included in TSS's consolidated financial statements.

Cash and cash equivalents

TSS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for, nor restricted by donors, for long-term purposes, to be cash and cash equivalents. Investments include money market funds and other highly liquid securities held for investment purposes.

Property and equipment

TSS records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

TSS reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 or 2019.

Revenue recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Beneficial interest in assets held by community foundation

Management established an endowment fund (the Fund) with the Tulsa Community Foundation (TCF) and named TSS as beneficiary. TSS may request distributions for specific needs from the Fund. However, TSS granted variance power to TCF which allows TCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of TCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by TCF for TSS's benefit and is reported at fair value in the consolidated statements of financial position, with distributions and changes in fair value recognized in the consolidated statements of activities.

Investments

TSS records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net assets

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements reflect the activities of TSS as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions – Net assets not subject to donor-imposed restrictions and available for purposes consistent with TSS's mission. Revenues are generally reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Investment returns generated by unrestricted funds are classified as changes in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that must be met by actions of TSS or the passage of time. Contributed assets normally fund specific expenditures of an operating or capital nature. Donor-restricted contributions or investment returns received and expended within the same fiscal year are reported as increases in net assets with donor restrictions and net assets released from restrictions, respectively, in the consolidated statements of activities. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting TSS to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations. See Note 5 for more information on donor-restricted endowments.

Promises to give

Unconditional promises to give expected to be collected within one year are recorded at net estimated realizable value. Unconditional promises to give expected to be collected in future years are initially

recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions in the consolidated statements of activities. TSS determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. There were no promises to give at December 31, 2020 or 2019.

Donated materials and services

Volunteers contribute significant amounts of time to TSS's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States (U.S. GAAP). Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2020 or 2019.

Advertising

TSS expenses the costs of advertising as incurred. Advertising expense was approximately \$58,000 and \$53,000 for the years ended December 31, 2020 and 2019, respectively.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include utilities and maintenance, which are allocated based on square footage, as well as salaries and benefits that are allocated based on estimates of time and effort.

Income taxes

TSS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a) of the Code. As a result, as long as TSS maintains its tax exemption, it will not be subject to income tax.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to the current-year presentation. The reclassifications had no impact on change in net assets or net assets.

Financial instruments and credit risk

TSS manages deposit concentration risk by placing cash, money market accounts, and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, TSS has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Committee of the Board of Directors.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

New accounting pronouncement yet to be adopted

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most operating leases on their statements of financial position at their discounted present values. Topic 842, as amended, is effective for TSS beginning January 1, 2022. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of the initial application, with an option to use certain transition relief. TSS does not expect the pending adoption of the new standard to have a material impact on the consolidated financial statements.

Subsequent events

Subsequent events have been evaluated through September 22, 2021, the date which the consolidated financial statements were available to be issued.

Note 2 – Investment Return

Net investment return (loss) consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Operating investments:		
Interest and dividends	\$ 15,826	\$ 25,787
Net realized and unrealized gain (loss)	(75,951)	85,469
	<u>(60,125)</u>	111,256
Endowment investments:		
Interest and dividends	33,756	25,937
Net realized and unrealized gain (loss)	(88,733)	161,365
Less investment management and custodial fees	(70)	(70)
	<u>(55,047)</u>	187,232
	<u>\$ (115,172)</u>	<u>\$ 298,488</u>

Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Land	\$ 5,000	\$ 5,000
Buildings and improvements	2,199,959	2,149,112
Furniture and fixtures	82,466	82,466
Equipment	185,250	171,174
Vehicles	175,971	175,971
	2,648,646	2,583,723
Less accumulated depreciation	(1,043,135)	(947,849)
	<u>\$ 1,605,511</u>	<u>\$ 1,635,874</u>

Note 4 – Fair Value Measurements

The fair value measurement standards establish a consistent framework for measuring fair value and a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in three broad levels:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no investment transfers due to changes in the observability of significant inputs between Level 1, Level 2 and Level 3 assets during the years ended December 31, 2020 or 2019.

The following table sets forth by level, within the fair value hierarchy, TSS's assets recorded at fair value on a recurring basis as of December 31:

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Common stock	\$ 1,164,763	\$ -	\$ -	\$ 1,164,763
Mutual funds	186,083	-	-	186,083
Temporary cash investments	288,982	-	-	288,982
Beneficial interest in assets held by Baptist Foundation	-	35,295	-	35,295
Beneficial interest in assets held by community foundation	-	16,999	-	16,999
	<u>\$ 1,639,828</u>	<u>\$ 52,294</u>	<u>\$ -</u>	<u>\$ 1,692,122</u>

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Common stock	\$ 1,345,166	\$ -	\$ -	\$ 1,345,166
Mutual funds	183,936	-	-	183,936
Fixed income:				
Corporate bonds	-	96,688	-	96,688
Temporary cash investments	204,111	-	-	204,111
Beneficial interest in assets held by Baptist Foundation	-	31,706	-	31,706
Beneficial interest in assets held by community foundation	-	15,016	-	15,016
	<u>\$ 1,733,213</u>	<u>\$ 143,410</u>	<u>\$ -</u>	<u>\$ 1,876,623</u>

Note 5 – Endowments

TSS has endowment funds held with the Baptist Foundation of Oklahoma (BFO) and with TCF. Additionally, the Trust holds an endowment fund with a financial institution (collectively, the Endowment). These endowment funds are designed to encompass the goal of long-term growth and long-term stability for TSS. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The funds held with BFO, and under the Trust are permanently restricted, as the principal funds are not available to be drawn down at any time. The Board can elect to have funds distributed from the earnings on principal. From time to time, donors will designate that their contribution be deposited into the accounts with either TCF or BFO, rather than TSS' operating fund. If contributions are designated for endowment, the funds are deposited into the fund established by the Trust.

The Board of Directors has interpreted the Oklahoma Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, TSS classifies as restricted net assets with donor restriction (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor restricted endowment is classified as net assets with donor restriction until those amounts are appropriated for expenditure by TSS in a manner consistent with the standard of prudence prescribed by UPMIFA. TSS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires TSS to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restriction. There were no such deficiencies as of December 31, 2020 or 2019.

As of December 31, the endowment net assets were composed of the following funds:

	<u>With Donor Restrictions</u>
2020:	
General Endowment - BFO	\$ 16,999
General Endowment - Trust	1,135,463
General Endowment - TCF	<u>35,295</u>
	<u><u>\$ 1,187,757</u></u>
2019:	
General Endowment - BFO	\$ 31,706
General Endowment - Trust	1,199,554
General Endowment - TCF	<u>15,016</u>
	<u><u>\$ 1,246,276</u></u>

Investment and Spending Policies

TSS has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

TSS uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2020 and 2019, the spending rate maximum was 4.5%. In establishing this policy, TSS considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in endowment net assets for the years ended December 31, are as follows:

	<u>With Donor Restrictions</u>
2020:	
Endowment, beginning of year	\$ 1,246,276
Net investment return	(55,047)
Other	(3,472)
Change in donor restrictions	-
	<u>\$ 1,187,757</u>
2019:	
Endowment, beginning of year	\$ 1,059,044
Net investment return	187,232
Change in donor restrictions	-
	<u>\$ 1,246,276</u>

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, consist of:

	<u>2020</u>	<u>2019</u>
Programs	\$ -	\$ 47,881
Permanent endowment	987,682	987,682
Endowment earnings	200,105	258,594
	<u>\$ 1,187,787</u>	<u>\$ 1,294,157</u>

Net assets released from restriction for satisfaction of purpose restrictions were \$151,276 and \$87,217 for the years ended December 31, 2020 and 2019, respectively.

Note 7 – Employee Benefits

TSS funds a tax sheltered 403(b) annuity plan for its full-time employees. All full-time employees receive a stipend of 15% of gross earnings each month, with the choice of contributing the stipend to the annuity plan. All contributions are fully vested.

Note 8 – Related Party Transactions

At December 31, 2019, TSS held an investment with a fair value of approximately \$97,000 in corporate bonds with a company affiliated with a member of the Board of Directors. No such investment existed at December 31, 2020.

Note 9 – Paycheck Protection Program (PPP)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. In April 2020, TSS received loan proceeds of \$198,700 from a bank, under the PPP, which was established as part of the CARES Act. The note payable was scheduled to mature in April 2022, bore interest at 1%, and required monthly principal and interest payments commencing November 2020. Loan proceeds are forgivable, and in November 2020, TSS received formal forgiveness from the bank and Small Business Administration (SBA) of the entire loan amount and accounted for the forgiveness of the PPP loan in the consolidated statement of activities.

Subsequent to December 31, 2020, TSS received additional loan proceeds in the amount of \$240,705 under the PPP. The loan, which was in the form of a note with a bank, matures in January 2026, and bears interest at a rate of 1% per annum. Monthly principal and interest payments will commence in June 2022. PPP loan proceeds and accrued interest are forgivable, after a period of time, if the Company expends those funds for qualified expenditures. In June 2021, TSS received formal forgiveness from the bank and SBA of this entire loan amount.

Note 10 – Liquidity and Availability of Resources

TSS's financial assets for general expenditure within one year of December 31, are as follows:

	2020	2019
Cash and cash equivalents	\$ 390,165	\$ 349,657
Investments	504,365	630,347
Accounts receivable	15,100	768
Total financial assets	909,630	980,772
Less:		
Board-designated funds	128,688	111,379
Net assets with donor restrictions	-	47,881
Total financial assets available to management for general expenditure within one year	<u>\$ 780,942</u>	<u>\$ 821,512</u>

As part of TSS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. TSS receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. TSS receives a substantial amount of its support from local churches and agencies. A significant reduction in the level of this support could have a significant effect on TSS's program and operations. Additionally, TSS relies on donated food and supplies to meet its operating requirements.

TSS's endowment funds consist of donor-restricted endowments, which the Board can elect to have funds distributed from the earnings generated on the endowment funds and is available for general expenditures. As noted in Note 5, the endowment fund has a maximum spending rate maximum was 4.5% to be utilized for the next fiscal year, if needed. Donor restricted endowment funds are not included in the table above.