



**SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
COMPARATIVE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

Board of Directors
Sisters of Mary Boystowns and Girlstowns, Inc.
Lanham, Maryland

Opinion

We have audited the accompanying financial statements of Sisters of Mary Boystowns and Girlstowns, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sisters of Mary Boystowns and Girlstowns, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sisters of Mary Boystowns and Girlstowns, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sisters of Mary Boystowns and Girlstowns, 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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, we:

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

Alta CPA Group, LLC

August 30, 2024

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

<u>ASSETS</u>		
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,130,570	\$ 3,610,174
Accounts Receivable	11,791	26,821
Promises to Give	414,792	775,000
Prepaid Expenses	128,679	142,667
Total Current Assets	<u>2,685,832</u>	<u>4,554,662</u>
Investments	21,356,084	17,451,998
Property and Equipment, Net	1,155	5,520
Deposit	<u>4,160</u>	<u>23,566</u>
Total Assets	<u>\$ 24,047,231</u>	<u>\$ 22,035,746</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 822,393	\$ 1,203,700
Accrued Wages and Leave Payable	30,912	36,484
Retiree Obligations, Current	1,253	70,833
Total Current Liabilities	<u>854,558</u>	<u>1,311,017</u>
Retiree Obligations, Noncurrent	<u>-</u>	<u>354,679</u>
Total Liabilities	854,558	1,665,696
NET ASSETS		
Without Donor Restrictions	6,878,813	4,828,751
With Donor Restrictions	<u>16,313,860</u>	<u>15,541,299</u>
Total Net Assets	<u>23,192,673</u>	<u>20,370,050</u>
Total Liabilities and Net Assets	<u>\$ 24,047,231</u>	<u>\$ 22,035,746</u>

See auditor's report and accompanying notes to financial statements.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT FROM THE PUBLIC						
Active Contributions	\$ 8,962,550	\$ -	\$ 8,962,550	\$ 3,718,555	\$ 7,499,783	\$ 11,218,338
Total Support From the Public	8,962,550	-	8,962,550	3,718,555	7,499,783	11,218,338
OTHER REVENUE						
Mailing List Rentals	48,636	-	48,636	49,460	-	49,460
Interest and Dividends	163,726	374,967	538,693	477,731	56,776	534,507
Net Investment Income	797,897	1,093,629	1,891,526	(247,485)	(2,921,529)	(3,169,014)
Other Income	454,147	-	454,147	45,214	-	45,214
Total Other Revenue	1,464,406	1,468,596	2,933,002	324,920	(2,864,753)	(2,539,833)
Net Assets Released from Restrictions	696,035	(696,035)	-	5,668,600	(5,668,600)	-
Total Support and Revenue	\$ 11,122,991	\$ 772,561	\$ 11,895,552	\$ 9,712,075	\$ (1,033,570)	\$ 8,678,505
EXPENSES						
Program Services						
Sisters of Mary	\$ 6,491,931	\$ -	\$ 6,491,931	\$ 8,719,234	\$ -	\$ 8,719,234
Information Services	1,346,825	-	1,346,825	1,148,464	-	1,148,464
Total Program Services	7,838,756	-	7,838,756	9,867,698	-	9,867,698
Supporting Services						
Fundraising - Active	357,242	-	357,242	308,501	-	308,501
Fundraising - Donor Development	124,698	-	124,698	101,053	-	101,053
Total Fundraising	481,940	-	481,940	409,553	-	409,553
Management and General	752,233	-	752,233	600,819	-	600,819
Total Supporting Services	1,234,173	-	1,234,173	1,010,373	-	1,010,373
Total Expenses	\$ 9,072,929	\$ -	\$ 9,072,929	\$ 10,878,071	\$ -	\$ 10,878,071
Change in Net Assets	2,050,062	772,561	2,822,623	(1,165,996)	(1,033,570)	(2,199,566)
Net Assets, Beginning of Year	4,828,751	15,541,299	20,370,050	5,994,747	16,574,869	22,569,616
Net Assets, End of Year	\$ 6,878,813	\$ 16,313,860	\$ 23,192,673	\$ 4,828,751	\$ 15,541,299	\$ 20,370,050

See auditor's report and accompanying notes to financial statements.

SISTERS OF MARY BOYSTOWNS AND GIRLTOWNS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services		Supporting Services			Total
	Sisters of Mary	Information Services	Fundraising - Active	Fundraising - Donor Development	Management and General	
Grants to Sisters of Mary	\$ 6,491,931	\$ -	\$ -	\$ -	\$ -	6,491,931
Salaries and Employee Benefits	-	924,908	151,850	27,610	276,091	1,380,459
Printing, Envelopes, and Premiums	-	169,105	64,552	40,037	21,102	294,796
Postage	-	89,868	32,949	31,158	12,447	166,422
Rent Expense	-	16,645	3,959	1,318	29,756	51,678
Professional Fees	-	74,125	33,693	-	26,954	134,772
Travel, Meetings, and Dues	-	15,736	41,473	13,678	102,455	173,342
Donor File Maintenance	-	16,611	22,147	-	16,612	55,370
Bank Charges and Miscellaneous	-	9,332	1,035	3,066	79,213	92,646
List Rental and Exchange Fees	-	7,017	-	5,975	-	12,992
Office Supplies	-	-	-	-	145,626	145,626
Utilities	-	124	30	10	222	386
Repairs and Maintenance	-	4,805	1,143	381	8,590	14,919
Depreciation Expense	-	1,406	334	111	2,514	4,365
Insurance	-	2,527	601	200	4,518	7,846
Events and Program Information	-	14,616	3,476	1,154	26,133	45,379
Total Expenses	\$ 6,491,931	\$ 1,346,825	\$ 357,242	\$ 124,698	\$ 752,233	\$ 9,072,929

See auditor's report and accompanying notes to financial statements.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services			Total
	Sisters of Mary	Information Services	Fundraising - Active	Fundraising - Donor Development	Management and General	
Grants to Sisters of Mary	\$ 8,719,234	\$ -	\$ -	\$ -	\$ -	8,719,234
Salaries and Employee Benefits	-	742,245	121,860	22,157	221,565	1,107,827
Printing, Envelopes, and Premiums	-	143,755	54,875	34,035	17,939	250,604
Postage	-	90,638	33,231	31,426	12,553	167,848
Rent Expense	-	12,225	2,907	968	21,853	37,953
Professional Fees	-	87,419	39,736	-	31,789	158,944
Travel, Meetings, and Dues	-	5,223	13,766	4,540	34,007	57,536
Donor File Maintenance	-	25,619	34,159	-	25,621	85,399
Bank Charges and Miscellaneous	-	8,635	959	2,837	73,300	85,732
List Rental and Exchange Fees	-	3,244	-	2,762	-	6,006
Office Supplies	-	-	-	-	109,519	109,519
Utilities	-	1,498	357	118	2,679	4,652
Repairs and Maintenance	-	7,173	1,706	568	12,822	22,268
Depreciation Expense	-	1,406	334	111	2,514	4,365
Insurance	-	7,124	1,694	563	12,737	22,117
Events and Program Information	-	12,261	2,916	968	21,922	38,067
Total Expenses	\$ 8,719,234	\$ 1,148,464	\$ 308,501	\$ 101,053	\$ 600,819	\$ 10,878,071

See auditor's report and accompanying notes to financial statements.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,822,623	\$ (2,199,566)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	4,365	4,365
Net Investment Income	(1,891,526)	3,169,014
Changes in Operating Assets and Liabilities:		
Accounts Receivable	15,030	386,469
Pledges Receivable	360,208	(726,235)
Prepaid Expenses	13,988	(11,829)
Deposit	19,406	-
Accounts Payable and Accrued Expenses	(381,307)	1,162,649
Accrued Wages and Leave Payable	(5,572)	21,303
Retiree Obligations	<u>(424,259)</u>	<u>(54,551)</u>
Net Cash Provided by Operating Activities	532,956	1,751,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	-	(2,615)
Sales of Investments	1,892,789	(9,110,634)
Purchases of Investments	<u>(3,905,349)</u>	<u>8,088,134</u>
Net Cash Used for Investing Activities	(2,012,560)	(1,025,115)
CASH FLOWS FROM FINANCING ACTIVITY		
Net Change in Cash and Cash Equivalents	(1,479,604)	726,504
Cash and Cash Equivalents, Beginning of Year	<u>3,610,174</u>	<u>2,883,670</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>2,130,570</u></u>	\$ <u><u>3,610,174</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Income Taxes Paid	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

See auditor's report and accompanying notes to financial statements.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Sisters of Mary Boystowns and Girlstowns, Inc. (the Organization), is a charitable organization, founded in 1961 by Monsignor Aloysius Schwartz, which provides financial support for the charitable programs of the Sisters of Mary in Korea, the Philippines, Mexico, Guatemala, Brazil, Tanzania, and Honduras.

These programs include sixteen Boystowns and Girlstowns, which provide more than 20,000 poor and orphan children with food, clothing, shelter, and education. Older children also receive vocational training. This training helps them obtain higher quality jobs when they graduate in order to break free from a life of poverty and despair.

Additional programs include two full service hospitals for the poor, a live-in facility for destitute, homeless, and handicapped men, and a special education program for mentally challenged and handicapped children.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

Use of Estimates

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

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the two net asset classes:

Net Assets Without Donor Restrictions – resources that are available for general operations and resources designated by Sisters of Mary Boystowns and Girlstowns, Inc.’s Board of Directors for approved expenditures.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net Assets With Donor Restrictions – resources that are subject to donor-imposed restrictions; temporary or permanent. Temporary restrictions are those that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations. Permanent restrictions are gifts to the Organization, whereby principal may not be used and income or capital gains from these funds is either without restriction or is to be used for purposes specified by the donor.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid deposit and money market accounts, including those in brokerage accounts, with an original term to maturity of three months or less.

Investments

Investments in debt and equity securities are carried at fair value. Equity securities and mutual funds are valued based on quoted prices on national exchanges. Debt securities include corporate bonds and are valued using interest rates and maturities of similar instruments. Alternative investments are valued based on the fair market value of the underlying assets of the funds as determined by the fund managers. The changes in net unrealized appreciation or depreciation of debt and equity securities for the year are reported as investment gains or losses. Gains (losses) on the sale of investments are reported on the first-in first-out basis (FIFO). Realized and unrealized gains and losses and investment fees are reported as net investment income on the statement of activities.

Property and Equipment

The Organization capitalizes all major purchases of buildings, improvements, furniture, fixtures, and equipment at or above \$2,500 at cost, if purchased, or fair market value at date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets (generally five years for furniture, fixtures, and equipment and minor improvements). When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Receivables as listed in the statement of financial position at December 31, 2023 and 2022 are comprised primarily of interest and dividends due on Sisters of Mary Boystowns and Girlstowns, Inc.'s investments and amounts due on other operating activities.

Outstanding balances are reduced by an allowance for doubtful accounts. Management annually evaluates the adequacy of the allowance for doubtful accounts by considering the Organization's past receivables loss experience and known and inherent risks in the accounts receivable population. As of December 31, 2023 and 2022, there was no allowance for doubtful accounts.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Unconditional promises to give are included in legacies, bequests, and pledges on the statement of activities. Amounts due over multiple years are discounted to their net present value using the applicable risk-adjusted interest rates if such discount would be material. Conditional promises to give are not included as support until the conditions are substantially met.

Amounts received for conditional promises to give are recorded as refundable advances until the conditions are met.

The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years' experience and management's analysis of subsequent collections. Promises to give are considered past due and allowances on promises to give are recorded when circumstances indicate collection is doubtful for particular promises to give or as a general reserve for all promises to give. Promises to give are written off if reasonable collection efforts prove unsuccessful.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recorded in the period in which they are received or promised and are reported without donor restriction or with donor restriction support depending on the existence and nature of any donor restrictions. Contributions are included in active contributions or donor development contributions on the statement of activities.

Contracts with Customers - Fees and Rentals

Affiliate management fees are recognized as revenue for management services, such as marketing and accounting, at the point in time when the services are performed for affiliates.

Mailing list rental revenue is recognized over the period of time that the Organization rents out its mailing lists to other organizations.

Revenue from contracts with customers has been earned as follows:

	<u>2023</u>	<u>2022</u>
Revenue		
Mailing List Rentals	\$ <u>48,636</u>	\$ <u>49,460</u>
Total	\$ <u>48,636</u>	\$ <u>49,460</u>

Direct Mail Fundraising

The Organization derives a portion of its public support from direct mail solicitations. Direct mail fundraising involves two distinct functions that are reported separately in the financial statements. The functions are:

- Fundraising - Active
- Fundraising - Donor Development

The fundraising function includes the costs of developing, producing and processing mail appeals to current donors on the house file of Sisters of Mary Boystowns and Girlstowns, Inc.

The donor development function includes the costs of new donor acquisition or prospecting, including, but not limited to, sending an initial mailing to persons who have not previously contributed, or are no longer actively participating in the house mailings of Sisters of Mary Boystowns and Girlstowns, Inc. (former donors).

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Direct Mail Fundraising (Continued)

The Organization's management believes that a single functional reporting classification is not adequate to portray the activity relating to the public solicitation programs of the Organization. Segregation between the fund raising and donor development programs is necessary so that the performance of the two programs can be more accurately evaluated. This is due to the fact that different criteria and relationships are used in the financial evaluation of the aforementioned programs. The Organization believes it is appropriate to report public support and the related costs to obtain such, separately in these financial statements.

Functional Allocation of Expenses

The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees.

Program services, as presented in the statement of functional expenses, include the expenses directly related to the various projects of the Organization. Information services promote and educate donors and potential donors of the socio-economic plight of the poor, handicapped, sick, and homeless children and adults in Korea, the Philippines, Mexico, Guatemala, Brazil, and Honduras.

Supporting services include expenses indirectly related to the various projects and are of an administrative nature.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Sisters of Mary Boystowns and Girlstowns, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2023 and 2022.

The Organization's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during the calendar years ended December 31, 2023 and 2022.

The Organization is not required to file a Federal Form 990 due to its status as a foreign mission.

Reclassification

Certain amounts in 2022 financial statements have been reclassified for comparative purposes to conform with the presentation in 2023 financial statements. These changes have had no effect on the net income for the year ended December 31, 2022.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's cash flows have seasonal variations due to the timing of grants, contributions, program revenues, and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in various investments. The Organization holds donor endowments that are restricted for specific purposes and, therefore, not available for general expenditure, except for amounts appropriated for general expenditure in line with donor restriction.

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general operating expenditure within one year:

		<u>2023</u>		<u>2022</u>
Total Assets	\$	24,047,231	\$	22,035,746
<i>Less Amounts Not Available for General Operating Expenditure</i>				
Prepaid Expenses		(128,679)		(142,667)
Donor Restricted Net Assets		(16,313,860)		(15,541,299)
Property and Equipment, Net		(1,155)		(5,520)
Deposit		<u>(4,160)</u>		<u>(23,566)</u>
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	\$	<u>7,599,377</u>	\$	<u>6,322,694</u>

NOTE 3 - FINANCIAL RISK

The Organization maintains its cash and certificates of deposits accounts in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum amount allowed by law. While the amounts, at times, exceed the amount insured by federal agencies and, therefore, bear some risk, the Organization has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2023, the Organization exceeded FDIC limit by approximately \$1,880,000.

The Organization invests in professionally managed portfolios that contain equity securities, mutual funds, corporate bonds, and alternative investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 - AFFILIATED ORGANIZATIONS

Affiliated foreign organizations are autonomous organizations in the Netherlands, Belgium, United Kingdom, and France that share some common Board Members. Due to their autonomy, these organizations' net assets, liabilities, revenues, and expenses are not reflected in the accompanying financial statements.

NOTE 5 - PREPAID EXPENSES

Prepaid solicitation expenses represent costs incurred for appeals, which will be mailed subsequent to the date of the statement of financial position.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 - values are based on quoted prices for identical assets in active markets (examples include equity securities and mutual funds).

Level 2 - values are based on quoted prices for similar assets in active or inactive markets (examples include corporate bonds).

Level 3 - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Organization's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the Organization's own data (examples include certain private equity securities).

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may provide a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Organization's Board of Directors assesses and approves these policies and procedures. At least annually, the Organization's Board of Directors: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

Fair values of assets measured on a recurring basis at December 31, are as follows:

<u>2023</u>		<u>Fair Value</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>
Cash	\$	3,708,844	\$ 3,708,844	\$ ---	\$ ---
Equity Securities		5,209,453	5,209,453	---	---
Mutual Funds		8,961,611	8,961,611	---	---
Corporate Bonds		2,548,210	2,548,210	---	---
Alternative Investments		<u>927,966</u>	<u>---</u>	<u>---</u>	<u>927,966</u>
Total	\$	<u>21,356,084</u>	\$ <u>20,248,118</u>	\$ <u>---</u>	\$ <u>927,966</u>

<u>2022</u>		<u>Fair Value</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>
Cash	\$	778,497	\$ 778,497	\$ ---	\$ ---
Equity Securities		4,315,220	4,315,220	---	---
Mutual Funds		6,514,106	6,514,106	---	---
Corporate Bonds		4,931,401	4,931,401	---	---
Alternative Investments		<u>912,774</u>	<u>---</u>	<u>---</u>	<u>912,774</u>
Total	\$	<u>17,451,998</u>	\$ <u>16,539,224</u>	\$ <u>---</u>	\$ <u>912,774</u>

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

Beginning Balance, December 31, 2022	\$	912,774
Purchases of Investments		24,251
Total Net Unrealized Gain Included in Changes in Net Assets, in Investment Income,		<u>(9,059)</u>
Ending Balance, December 31, 2023	\$	<u>927,966</u>
 Beginning Balance, December 31, 2021	 \$	 802,245
Purchases of Investments		97,202
Total Net Unrealized Gain Included in Changes in Net Assets, in Investment Income, Attributable to Assets Held at Year End		<u>13,327</u>
Ending Balance, December 31, 2022	\$	<u>912,774</u>

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2023 .

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 7 - PROPERTY AND EQUIPMENT

The depreciation expense for the year ending December 31, 2023 and 2022 was \$4,365 and \$4,365 respectively.

Property and equipment at December 31, consisted of the following:

	<u>2023</u>		<u>2022</u>
Leasehold Improvements	\$ 20,875	\$	20,875
Furniture and Equipment	<u>85,066</u>		<u>85,066</u>
 Total Property and Equipment	 105,941		 105,941
Less Accumulated Depreciation	<u>(104,786)</u>		<u>(100,421)</u>
Property and Equipment, Net	\$ <u>1,155</u>	\$	<u>5,520</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, the purposes and changes in amounts of net assets with donor restrictions were as follows:

<u>2023</u>	<u>Beginning</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending</u>
	<u>Balance</u>						<u>Balance</u>
Donor-Restricted							
Endowment Funds	\$ 15,315,838	\$	1,468,596	\$	(470,574)	\$	16,313,860
Sisters of Mary – Tanzania	150,000		---		(150,000)		---
Sisters of Mary – Chalco, Mexico	395		---		(395)		---
Sisters of Mary – Philippines	75,040		---		(75,040)		---
Sisters of Mary - South Korea	26		---		(26)		---
	<u>\$ 15,541,299</u>	\$	<u>1,468,596</u>	\$	<u>(696,035)</u>	\$	<u>16,313,860</u>

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

<u>2022</u>	<u>Beginning</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending</u>
	<u>Balance</u>						<u>Balance</u>
Donor-Restricted	\$ 15,930,591	\$	2,260,120	\$	(2,874,873)	\$	15,315,838
Endowment Fund							
Sisters of Mary – Tanzania	197,831		209,270		(257,101)		150,000
Sisters of Mary – Guatemala	3,250		45,154		(48,404)		---
Sisters of Mary – Chalco, Mexico	129,319		4,227,856		(4,356,780)		395
Sisters of Mary – Honduras	---		17,080		(17,080)		---
Sisters of Mary – Philippines	138,583		213,552		(277,095)		75,040
Sisters of Mary – Brazil	---		9,948		(9,948)		---
Sisters of Mary - South Korea	---		5,026		(5,000)		26
Sisters of Mary - Latin America	---		69,702		(69,702)		---
International	100,000		---		(100,000)		---
Other	75,295		442,075		(517,370)		---
	<u>\$ 16,574,869</u>	<u>\$</u>	<u>7,499,783</u>	<u>\$</u>	<u>(8,533,353)</u>	<u>\$</u>	<u>15,541,299</u>

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 9 - ENDOWMENT

The Organization's endowment consists of three gifts established as a donor-restricted endowment fund. Net assets associated with this endowment fund are classified and reported based on the existence of donor-imposed restrictions.

Investment Policy

The Organization invests the endowment with the objective of prudently managing the investments to protect the principal from decrease in actual terms. Recognizing the impact of inflation, the asset portfolio manager shall make every effort to protect the purchasing power of these assets. The general philosophy for the management of these funds is to maximize returns while minimizing risk.

Investment return earned by the endowment fund is recorded as increase or decrease to net assets without donor restrictions. Investment income is allocated to the endowment fund proportionally to the investments as a whole.

Interpretation of Relevant Law

The Board of the Organization, has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with permanent donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Organization, in a manner consistent with the standard of prudence prescribed by MUPMIFA.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 9 - ENDOWMENT (CONTINUED)

In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The long- and short-term needs of the Organization in carrying out its purpose
- (2) The Organization's present and anticipated financial requirements
- (3) Expected total return on investments
- (4) Price level trends
- (5) General economic conditions

Endowment net asset composition by type of fund as of December 31, was as follows:

<u>2023</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ ---	\$ 16,313,860	\$ 16,313,860
<u>2022</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ ---	\$ 13,065,838	\$ 13,065,838

Changes in endowment net assets for the year ended December 31, were as follows:

<u>2023</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$ 13,065,838	\$ 13,065,838
Investment Gain	---	1,468,596	1,468,596
Contributions	---	1,779,426	1,779,426
Appropriation of Endowment For Expenditure	---	---	---
Endowment Net Assets, End of Year	\$ <u>---</u>	\$ <u>16,313,860</u>	\$ <u>16,313,860</u>

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 9 - ENDOWMENT (CONTINUED)

<u>2022</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$	\$ 15,930,591	\$ 15,930,591
Investment Gain	---	(2,864,753)	(2,864,753)
Contributions	---	---	---
Appropriation of Endowment For Expenditure	---	---	---
Endowment Net Assets, End of Year	\$	\$ <u>13,065,838</u>	\$ <u>13,065,838</u>

NOTE 10 - RETIREMENT PLAN

Sisters of Mary Boystowns and Girlstowns, Inc. maintains a tax-deferred annuity [Section 403(b)] plan for its employees. All employees are eligible to participate in the Plan provided that the various stipulations have been met, in regard to age and length of service, employee contributions are eligible for employer matching and discretionary contributions in accordance with stated vesting policies. For the years ended December 31, 2023 and 2022, the Organization contributed \$47,350 and \$39,543 to the Plan, respectively.

NOTE 11 - RETIREE OBLIGATIONS

In addition to the above qualified plan, the Organization maintains a second, non-qualified, non-funded plan that provided monthly payments to a retired employee's beneficiary. The monthly benefit was determined by a formula that included salary history, length of service, and benefits under the qualified plan. This benefit for the retiree was unfunded and adjusted annually based on the United States Social Security Administration's adjustments.

The assets of the Organization were used to pay the benefits of the eligible retiree. Benefits paid to the retiree's beneficiary were \$50,658 and \$67,932 for the years ended December 31, 2023 and 2022, respectively. The recipient passed away in 2023, which relieved the Organization of the related pension obligation liability. Consequently, the Organization recognized the release of this liability as other income in the statement of activities for the year ended December 31, 2023.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11 - RETIREE OBLIGATIONS

As of December 31, 2023, the Organization has an outstanding amount of \$1,243 for closing costs related to the plan, which is anticipated to be settled in the upcoming year. Accordingly, these costs have been recorded as part of the current portion of the retirement obligation.

NOTE 12 - LEASES

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as maintenance costs, in calculating the right of use assets and lease liabilities. The Organization has elected the practical expedient not to separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of right of use assets and lease liabilities on the balance sheet. Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 - LEASES (CONTINUED)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The right of use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the secured-debt yields the Organization would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term.

The Organization has entered into the following lease agreements:

Operating Leases

The Organization is obligated under a non-cancelable operating lease for office space through October 2024. The lease includes a 3% annual rent escalation. The lease contains an option to extend the lease term for an agreed-upon period or continue on a month-to-month tenancy unless terminated. Neither option is considered reasonably certain for the calculation of the related right-of-use asset and lease liability, which are presented in the statement of financial position as of December 31, 2023. In applying the lease standard, the Organization has determined that including these operating leases would be immaterial to the balance sheet if included and has elected to omit them accordingly. Operating lease expense totaled \$52,951 and \$37,953 for the years ended December 31, 2023 and 2022 respectively. The Organization had no variable or short-term lease expense in 2023 and 2022.

SISTERS OF MARY BOYSTOWNS AND GIRLSTOWNS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 - LEASES (CONTINUED)

Maturity of the operating lease liability as of December 31, 2023, is as follows:

For the Years Ending December 31, 2024	\$	<u>43,977</u>
Total Minimum Lease Payments	\$	<u>43,977</u>

NOTE 13 - COMMITMENTS

The Organization contracts with a vendor to license accounting software and a fundraising database through March 2024. The minimum payments required under the agreements at December 31, 2023, are as follows:

For the Years Ending December 31, 2024	\$	<u>16,123</u>
Total Future Minimum Lease Payments	\$	<u>16,123</u>

NOTE 14 - TRANSACTIONS WITH RELATED PARTIES

Contributions from Board Members represented 65% and 14% of total contributions during 2023 and 2022, respectively.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 30, 2024, which is the date the financial statements were available to be issued.