Guild Incorporated

Financial Statements and Independent Auditor's Report

December 31, 2016 and 2015

Contents

December 31, 2016 and 2015

Independent Auditor's Report

To the Board of Directors of
Guild Incorporated
Saint Paul, Minnesota 55107

We have audited the accompanying financial statements of Guild Incorporated, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; 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 from material misstatement.

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

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Auditor's Responsibility (Continued)

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 Guild Incorporated as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Wilkerson, Guthmann & Johnson, Ltd.

April 24, 2017
Saint Paul, Minnesota

Guild Incorporated

Statements of Financial Position

As of December 31,	2016	2015
ASSETS		
Current		
Cash and Cash Equivalents	$ 1,162,851	$ 979,710
Accounts Receivable, Net of Allowance	1,821,844	1,306,034
Promises to Give, Net of Allowance	244,868	266,515
Prepaid Expenses and Other Assets	175,241	171,201
Total Current Assets	3,404,804	2,723,460
Property and Equipment, Net of Accumulated Depreciation	1,772,391	1,850,222
Other Assets		
Promises to Give, Net of Current Portion and Discount	511,506	419,709
Beneficial Interests in Assets Held by Others	842,595	822,339
Total Other Assets	1,354,101	1,242,048
Total Assets	**$ 6,531,296**	**$ 5,815,730**
LIABILITIES AND NET ASSETS		
Current		
Current Portion of Long-Term Notes Payable	$ 40,151	$ 40,662
Accounts Payable	108,740	123,701
Accrued Liabilities	632,893	547,406
Deferred Revenue	13,848	20,528
Total Current Liabilities	795,632	732,297
Long-Term		
Notes Payable, Net of Current Portion	82,322	122,348
Total Liabilities	877,954	854,645
Net Assets		
Unrestricted	3,907,592	3,280,336
Temporarily Restricted	973,353	913,413
Permanently Restricted	772,397	767,336
Total Net Assets	5,653,342	4,961,085
Total Liabilities and Net Assets	**$ 6,531,296**	**$ 5,815,730**

The accompanying notes are an integral part of the financial statements.

Statements of Activities and Changes in Net Assets

For the Years Ended December 31,	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Public Support and Revenue								
Public Support								
Contributions	$ 425,268	$ 762,050	$ 5,061	$ 1,192,379	$ 475,187	$ 664,080	$ 6,100	$ 1,145,367
Event Sponsorships and Ticket Revenue	73,660			73,660	64,770			64,770
In-Kind Contributions	59,846			59,846	74,578			74,578
Total Public Support	558,774	762,050	5,061	1,325,885	614,535	664,080	6,100	1,284,715
Revenue								
MN Health Care Programs	8,783,098			8,783,098	7,315,991			7,315,991
County Service Fees	2,121,406			2,121,406	2,080,341			2,080,341
Private Health Insurance and Private Pay	109,089			109,089	155,440			155,440
Resident Fees	486,430			486,430	535,151			535,151
Grants	1,137,605			1,137,605	1,263,034			1,263,034
Housing Subsidies	829,619			829,619	563,734			563,734
Investment Income	1,195			1,195	398			398
Other Revenue	77,444			77,444	124,131			124,131
Total Revenue	13,545,886			13,545,886	12,038,220			12,038,220
Net Assets Released from Restriction	751,974	(751,974)			607,724	(607,724)		
Total Public Support and Revenue	14,856,634	10,076	5,061	14,871,771	13,260,479	56,356	6,100	13,322,935
Expenses								
Program Services	12,119,881			12,119,881	11,146,141			11,146,141
Supporting Services								
Management and General	1,662,653			1,662,653	1,468,580			1,468,580
Fundraising	383,422			383,422	389,839			389,839
Fundraising Events—Costs of Direct Benefit to Donors	63,422			63,422	79,208			79,208
Total Supporting Services	2,109,497			2,109,497	1,937,627			1,937,627
Total Expenses	14,229,378			14,229,378	13,083,768			13,083,768
Increase (Decrease) in Beneficial Interest in Assets Held by Others		49,864		49,864		(11,621)		(11,621)
Increase in Net Assets	627,256	59,940	5,061	692,257	176,711	44,735	6,100	227,546
Net Assets, Beginning of Year	3,280,336	913,413	767,336	4,961,085	3,103,625	868,678	761,236	4,733,539
Net Assets, End of Year	**$ 3,907,592**	**$ 973,353**	**$ 772,397**	**$ 5,653,342**	**$ 3,280,336**	**$ 913,413**	**$ 767,336**	**$ 4,961,085**

Guild Incorporated

Statements of Cash Flows

For the Years Ended December 31,	2016	2015
Cash Flows From Operating Activities		
Increase in Net Assets	$ 692,257	$ 227,546
Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization	178,702	221,982
Gain on Sale of Property and Equipment	-	(78,653)
Bad Debt Expense	257,475	91,202
Noncash Contributions—Property and Equipment	-	(1,188)
Permanently Restricted Contributions	(5,061)	(6,100)
(Increase) Decrease in Beneficial Interests in Assets Held by Others	(49,864)	11,621
Change in Discount on Promises to Give	6,214	2,477
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(722,764)	(241,657)
Promises to Give	(126,885)	(41,763)
Prepaid Expenses and Other Assets	(4,040)	(84,390)
Accounts Payable	(14,961)	(23,766)
Accrued Liabilities	85,487	94,791
Deferred Revenue	(6,680)	(3,497)
Net Cash Provided by Operating Activities	289,880	168,605
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(100,871)	(171,737)
Proceeds From Sale of Property and Equipment	-	261,102
Net Cash Provided by (Used in) Investing Activities	(100,871)	89,365
Cash Flows From Financing Activities		
Payments on Long-Term Notes Payable	(40,537)	(190,417)
Contributions Restricted for Endowment	5,061	6,100
Transfer of Assets to Beneficial Interests in Assets Held by Others	(5,161)	(6,205)
Distributions from Beneficial Interests in Assets Held by Others	34,769	33,179
Net Cash (Used in) Financing Activities	(5,868)	(157,343)
Change in Cash and Cash Equivalents	183,141	100,627
Cash and Cash Equivalents, Beginning of Year	979,710	879,083
Cash and Cash Equivalents, End of Year	**$ 1,162,851**	**$ 979,710**
Supplemental Disclosures of Cash Flow Information		
Cash Paid For Interest	$ 6,934	$ 15,179

The accompanying notes are an integral part of the financial statements.

Guild Incorporated

Statements of Functional Expenses

For the Years Ended December 31,	2016					2015				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Totals	Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$ 6,994,872	$ 946,931	$ 195,579	$ 1,142,510	$ 8,137,382	$ 6,616,998	$ 851,134	$ 198,051	$ 1,049,185	$ 7,666,183
Payroll Taxes and Benefits	1,796,530	229,587	39,848	269,435	2,065,965	1,602,349	203,443	34,940	238,383	1,840,732
Total Personnel Expenses	8,791,402	1,176,518	235,427	1,411,945	10,203,347	8,219,347	1,054,577	232,991	1,287,568	9,506,915
Client Assistance	1,349,623				1,349,623	1,183,902				1,183,902
Professional Fees	546,786	175,522	5,611	181,133	727,919	454,324	131,235	24,502	155,737	610,061
Occupancy	197,230	151,514	1,683	153,197	350,427	220,706	137,616	2,131	139,747	360,453
Travel	346,484	8,389	3,800	12,189	358,673	314,640	8,364	9,378	17,742	332,382
Program and Development Supplies	58,258	41,471	125,685	167,156	225,414	55,746	43,734	105,610	149,344	205,090
Telephone	142,089	10,090	911	11,001	153,090	155,136	7,141	755	7,896	163,032
Insurance Expense	75,264	17,359	551	17,910	93,174	76,371	16,453	272	16,725	93,096
Building and Grounds Maintenance	58,937	12,079	146	12,225	71,162	72,591	10,899	169	11,068	83,659
Equipment Rental and Maintenance	78,346	23,216	481	23,697	102,043	57,322	19,065	363	19,428	76,750
Food	56,634	-	-	-	56,634	61,705	-	-	-	61,705
Maintenance Supplies	25,857	6,112	80	6,192	32,049	30,164	3,665	72	3,737	33,901
Office Supplies	17,845	11,025	277	11,302	29,147	11,278	6,990	1,910	8,900	20,178
Postage	6,460	5,344	1,074	6,418	12,878	4,505	2,952	2,807	5,759	10,264
Bad Debt	199,383	-	58,092	58,092	257,475	14,643	-	76,559	76,559	91,202
Interest	6,923	11	-	11	6,934	14,208	956	15	971	15,179
Other	2,909	6,744	11,034	17,778	20,687	260	2,889	10,868	13,757	14,017
Total Expenses Before Depreciation and Amortization	11,960,430	1,645,394	444,852	2,090,246	14,050,676	10,946,848	1,446,536	468,402	1,914,938	12,861,786
Depreciation and Amortization	159,451	17,259	1,992	19,251	178,702	199,293	22,044	645	22,689	221,982
Total Expenses	$12,119,881	$ 1,662,653	$ 446,844	$ 2,109,497	$ 14,229,378	$ 11,146,141	$ 1,468,580	$ 469,047	$ 1,937,627	$ 13,083,768
Percentage	85%	12%	3%	15%	100%	85%	11%	4%	15%	100%

The accompanying notes are an integral part of the financial statements.

1. Organization

Guild Incorporated (the "Organization") is a health and human services organization that exists to help people with mental illness lead quality lives. The Organization was incorporated in 1990 as a Minnesota nonprofit corporation.

The Organization provides an array of individually-tailored health and human services. The mission is fulfilled when individuals served:

- Live in safe, affordable housing and homelessness is prevented;
- Maintain their optimum physical and mental health;
- Find suitable employment or pursue education;
- Have recreation and socializing opportunities; and
- Report a sense of satisfaction with their quality of life, security and hope for the future.

2. Summary of Accounting Policies

Basis of Presentation

The Organization's financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted—This class of net assets includes those resources over which the Board of Directors has discretionary control.

Temporarily Restricted—This class of net assets includes those resources subject to donor-imposed restrictions that are satisfied by actions of the Organization or passage of time.

Permanently Restricted—This class of net assets includes those resources subject to donor-imposed restrictions that the donated principal be maintained in perpetuity by the Organization.

Cash and Cash Equivalents

The Organization considers highly liquid short-term investments with original maturities of less than three months to be cash equivalents.

2. Summary of Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts as well as historical trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Promises to Give

Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to estimate uncollectible promises to give. Management provides for uncollectible amounts based on their assessment of the current status of individual accounts as well as historical trends.

The Organization has elected the fair value option for unconditional promises to give. Fair value is measured at present value computed using a discount rate that approximates the 5-year Treasury Bond interest rate at year-end. Management believes that the use of fair value provides equal or better information to users of the financial statements than if those promises were measured using present value techniques at historical discount rates. The applicable discount rates used as of December 31, 2016 and 2015 were 1.93% and 1.76%, respectively. Amortization of the discounts is recorded as contribution revenue.

Property and Equipment

Property and equipment are recorded at cost or, if contributed, at estimated fair value on the date of contribution. The Organization capitalizes expenditures with a cost or value in excess of $1,500.

Depreciation is computed using the straight-line method over estimated useful lives of three to thirty years. Amortization of leasehold improvements is computed over the term of the related lease.

When property and equipment are sold, retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the Statements of Activities as other revenue.

Funds Held in Trust

The Organization holds funds in trust for certain residents that participate in Organization programs. The funds held in trust are recorded with accounts payable in the Statements of Financial Position.

2. Summary of Accounting Policies (Continued)

Beneficial Interest in Assets Held by Others

The Organization has established the Guild Endowment Fund with the Saint Paul Foundation (TSPF). The fund was established as an endowment fund under terms of a separate fund agreement by the transfer of permanently restricted contributions. The plan governing the administration of the funds indicates TSPF has the power to modify the beneficiary, the purpose, and the timing of the distributions, if the distributions become unnecessary, the Organization becomes incapable of fulfilling the purpose of the distributions, or the distributions become inconsistent with TSPF investment policies or the charitable needs served by TSPF. However, the funds were established in a reciprocal arrangement in which the board and management expect the Organization to continue to be the beneficiary of the funds in the future. Accordingly, the estimated fair values of the funds have been recognized by the Organization as Beneficial Interests in Assets Held by Others. The amount of principal originally contributed to a given fund is classified as permanently restricted net assets.

Under terms of the agreements which established the funds, TSPF holds, administers and invests the assets which have been transferred to it, and distributes net income and principal of the trusts in accordance with TSPF distribution policy. Annual adjustments to the fair values of the amounts reported as beneficial interests are recognized as increases or decreases in value of interests and are reflected in temporarily restricted net assets. Annual distributions from these funds are reported as decreases in Beneficial Interests in Assets Held by Others and are shown as releases from restriction.

In addition to the beneficial interest in assets held by TSPF, the Organization also has beneficial interests in funds at The Minneapolis Foundation and the Catholic Community Foundation (Note 9).

Deferred Revenue

Grants and other amounts received for subsequent year activities are recorded as deferred revenue.

2. Summary of Accounting Policies (Continued)

Recognition of Revenue

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Donor-restricted support is reported as an increase in the temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction is satisfied (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Billings for services are recognized as revenue contemporaneously with the performance of the service.

In-Kind Contributions

Contributions of non-cash assets are recorded at their fair value in the period received. Donated services are recognized as contributions only if the services create or enhance nonfinancial assets or require specialized skills, are performed by persons possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

Expenses incurred to provide programs and supporting services have been summarized in the Statements of Functional Expenses. With the exception of certain expenses that are allocated directly, expenses are allocated among the program and supporting services categories based upon program size, square footage, or an estimate of time expended by employees in each functional area.

2. Summary of Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Tax Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is an organization described under Section 509(a)(1). The Organization is a publicly-supported organization and contributions to it qualify as a charitable tax deduction for the contributors.

Subsequent Events

Management has evaluated the effects of subsequent events through April 24, 2017, the date that the financial statements were available to be released.

3. Accounts Receivable

Accounts receivable consisted of the following at December 31:

	2016	2015
State of Minnesota	$ 621,885	$ 332,112
Ramsey County	16,341	58,037
Hearth Connection	22,425	56,490
Dakota County	90,796	53,469
Managed Care Organizations	1,053,533	727,276
Other	101,864	82,150
Total Accouts Receivable	1,906,844	1,309,534
Less: Allowance for Doubtful Accounts	(85,000)	(3,500)
Accounts Receivable, Net	$ 1,821,844	$ 1,306,034

4. Promises to Give

Promises to give consisted of the following at December 31:

	2016	2015
Promises to Give	$ 830,081	$ 746,146
Allowance for Uncollectible Promises	(52,571)	(45,000)
Unamortized Discount	(21,136)	(14,922)
Promises to Give, Net	$ 756,374	$ 686,224

At December 31, 2016, promises to give were scheduled to be received as follows:

	Promises To Give	Allowance for Uncollectible Promises	Discount	Promises to Give, Net
One Year	$ 297,439	$ (52,571)	$ -	$ 244,868
Two to Five Years	532,642	-	(21,136)	511,506
Total	$ 830,081	$ (52,571)	$ (21,136)	$ 756,374

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Land	$ 369,500	$ 369,500
Buildings and Improvements	1,735,378	1,689,502
Leasehold Improvements	425,987	411,450
Furniture, Equipment and Vehicles	1,026,175	985,717
Total Property and Equipment	3,557,040	3,456,169
Less: Accumulated Depreciation	(1,784,649)	(1,605,947)
Property and Equipment, Net	$ 1,772,391	$ 1,850,222

Depreciation expense totaled $178,702 and $221,395 for the years ended December 31, 2016 and 2015, respectively.

6. Line of Credit

The Organization has a line of credit agreement under which it could borrow up to $500,000 through June 30, 2018, collateralized by substantially all of their assets. The agreement requires monthly interest payments at a variable interest rate, defined as the Wall Street Journal Prime Rate plus 0.25%. There was no balance outstanding on the line of credit at December 31, 2016 and 2015.

7. Notes Payable

Notes payable consisted of the following at December 31:

	2016	2015
Note payable to bank, due in monthly installments of $2,372 through January 10, 2016. The note bears interest at 5.5% and is secured by various properties of the Organization.	$ -	$ 2,370
Note payable to bank, due in monthly installments of $3,757 through November 14, 2019. The note bears interest at 4.75% and is secured by various properties of the Organization.	122,473	160,640
Total Notes Payable	122,473	163,010
Less: Current Portion	40,151	40,662
Long-Term Notes Payable, Net	$ 82,322	$ 122,348

Aggregate maturities are as follows for the years ended December 31:

Year	Amount
2017	$ 40,151
2018	42,100
2019	40,222
Total	$ 122,473

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 were available for the following purposes:

	2016	2015
Time Restricted		
General Operations	$ 817,145	$ 669,074
Shared Housing Project	28,000	30,600
Endowment Income	70,198	55,103
Purpose Restricted		
Community Support	42,881	51,331
Employment Services	-	16,220
Youth ACT Services	-	504
Capital Projects	-	15,713
Capital Purchases—Vehicle	-	32,539
Supportive Housing	1,000	35,890
Other	14,129	6,439
Total	$ 973,353	$ 913,413

Net assets released from donor restrictions for programs for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Time Restricted		
General Operations	$ 279,905	$ 289,208
Shared Housing Project	2,600	2,600
Endowment Income	34,769	33,179
Purpose Restricted		
Employment Services	56,679	8,250
Youth ACT Services	49,839	83,528
Community Access Services	109,998	-
Development	11,500	5,000
Capital Projects	49,752	28,880
Supportive Housing	102,425	139,752
Other	54,507	17,327
Total	$ 751,974	$ 607,724

9. Endowment Funds

The Organization's endowment funds consist of the Beneficial Interests in Assets Held by Others. They are all donor-restricted and established to provide a source of income to the Organization. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—Endowment funds are regulated by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the State of Minnesota. The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original gift is valued at fair value on the date of the gift. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gift donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization 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

9. Endowment Funds (Continued)

Changes in net assets and net asset balances related to the endowment as of and for the years ended December 31, 2016 and 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
January 1, 2015	$ -	$ 99,903	$ 761,236	$ 861,139
Decrease in Beneficial Interests Held by Others		(11,621)		(11,621)
Contributions			6,100	6,100
Appropriation of Endowment Assets for Expenditure		(33,179)		(33,179)
December 31, 2015	$ -	$ 55,103	$ 767,336	$ 822,439
Increase in Beneficial Interests Held by Others		49,864		49,864
Contributions			5,061	5,061
Appropriation of Endowment Assets for Expenditure		(34,769)		(34,769)
December 31, 2016	$ -	$ 70,198	$ 772,397	$ 842,595

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 the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in unrestricted net assets. Deficiencies result from unfavorable market fluctuations that may occur throughout the life of the investments and continued appropriation of endowment assets for expenditure deemed prudent by the board.

Endowment Policies—The majority of the Organization's endowment funds are held by TSPF and are subject to the investment, spending, and distribution policies of TSPF. Therefore, the Organization's spending policy mirrors the distribution policy of TSPF. As defined by TSPF, the underlying investment objectives are to:

- Preserve the real purchasing power of the permanently restricted assets while delivering funds to meet the charitable needs within the community
- Strive for consistent absolute returns
- Earn the highest possible return given the established risk tolerance

9. Endowment Funds (Continued)

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, the Organization relies on the Foundation's total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and the Relationship of the Investment Objectives to the Spending Policy—The Organization's spending policy mirrors the distribution policy of The Saint Paul Foundation. The Foundation's policy appropriates for distribution each year an amount equal to 5.00% of the underlying assets, based upon a 21 quarter moving average of the market value of the assets, but not less than 4.25% of the fund's current market value and not more than 5.50% of the fund's current market value, less administrative fees. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at a rate that is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The policies related to endowment assets held at The Minneapolis Foundation and the Catholic Community Foundation are similar in nature to the policies described above.

10. Fair Value Measurements

Certain financial assets are measured annually at fair value. Accounting standards provide for a three-tier fair value hierarchy determined by the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets
- Level 2: Observable inputs such as quoted prices in active markets for similar assets or other significant observable inputs
- Level 3: Significant unobservable inputs

10. Fair Value Measurements (Continued)

The fair values of Beneficial Interests in Assets Held by Others and promises to give have been measured in accordance with Level 3 inputs. The fair value of assets measured on a recurring basis consisted of the following as of December 31:

	2016	2015
Beneficial Interests In Assets Held By Others		
The Saint Paul Foundation	$ 812,333	$ 792,919
The Catholic Community Foundation	18,600	18,064
The Minneapolis Foundation	11,662	11,356
Promises to Give, Net	756,374	686,224
Total	$ 1,598,969	$ 1,508,563

Changes in the fair value of the Organization's Level 3 assets consisted of the following for the years ended December 31:

	2016	2015
Balance, Beginning of Year	$ 1,508,563	$ 1,557,182
Change in Promises to Give, Net of Cash Received	83,935	22,663
Change in Valuation of Promises to Give	(13,785)	(32,477)
Distributions from Beneficial Interests	(34,769)	(33,179)
Transfer to Beneficial Interests	5,161	6,100
Change in Value of Beneficial Interests	49,864	(11,621)
Other Change	-	(105)
Balance, End of Year	$ 1,598,969	$ 1,508,563

Beneficial Interests in Assets Held by Others are stated at fair value based on estimates provided by the fund managers. Such values may differ significantly from the values that would have been used had a ready market existed for these interests, and the differences could be significant.

11. In-Kind Contributions

Contributed materials and services were received as follows for the years ending December 31:

	2016	2015
Program		
Food and Food Gift Cards	$ 57,410	$ 70,700
Other	652	2,090
Management and General		
Professional Services	1,784	-
Fund Development		
Other Services	-	600
Capitalized Assets		
Furniture and Software	-	1,188
Total	$ 59,846	$ 74,578

12. Fundraising Events

Net support provided to the Organization from fundraising events during the years ended December 31, 2016 and 2015 were as follows:

	2016		
	Ladder of Hope	Bash4Guild	Total
Event Sponsorships and Ticket Revenue	$ 50,500	$ 23,160	$ 73,660
Event Contributions	381,775	56,430	438,205
Total Contributions and Revenue	432,275	79,590	511,865
Costs of Direct Benefit to Donors	33,452	29,970	63,422
Other Direct Expenses	28,145	-	28,145
Total Direct Event Expenses	61,597	29,970	91,567
Net Support from Special Events	$ 370,678	$ 49,620	$ 420,298

	2015		
	Ladder of Hope	Bash4Guild	Total
Event Sponsorships and Ticket Revenue	$ 37,000	$ 27,770	$ 64,770
Event Contributions	317,195	47,412	364,607
Total Contributions and Revenue	354,195	75,182	429,377
Costs of Direct Benefit to Donors	51,707	27,501	79,208
Other Direct Expenses	18,446	1,683	20,129
Total Direct Event Expenses	70,153	29,184	99,337
Net Support from Special Events	$ 284,042	$ 45,998	$ 330,040

13. Operating Leases

The Organization leases office space under a non-cancelable lease. The lease commitment includes a base monthly rental payment and additional amounts for property taxes, operating expenses, and parking spaces through December 31, 2021. The Organization also has non-cancelable operating leases for office equipment.

The following is a summary of the future minimum lease payments required under these leases at December 31, 2016:

Year	Office Equipment	Office Space	Totals
2017	$ 4,126	$ 253,344	$ 257,470
2018	1,810	257,013	258,823
2019	-	260,682	260,682
2020	-	264,351	264,351
2021	-	268,021	268,021
Total	$ 5,936	$ 1,303,411	$ 1,309,347

Rent expense for all operating leases for the years ended December 31, 2016 and 2015 was $305,198 and $307,730, respectively.

14. Concentrations

Credit Risk

The Organization places its cash deposits with high-quality financial institutions and seeks to limit the amount of credit exposure with any one financial institution. At various times during the year amounts on deposit may exceed federally insured limits.

Accounts Receivable

Approximately 38% and 29% of the balance of accounts receivable was due from the State of Minnesota at December 31, 2016 and 2015, respectively.

Support and Revenue

Approximately 25% and 30% of public support and revenue was provided by the State of Minnesota for the years ended December 31, 2016 and 2015, respectively.

15. Defined Contribution Plan

The Organization has a 403(b) defined contribution plan covering substantially all employees who have completed one year of service and have worked more than 1,000 hours. The plan allows for elective deferrals by eligible employees and provides for non-discretionary employer matching contributions. The plan also allows for discretionary employer contributions which are subject to the approval of the Board of Directors.

Contributions made by the Organization for the years ended December 31, 2016 and 2015, were $189,379 and $182,524, respectively.