Guild Incorporated

Financial Statements and
Independent Auditor's Report

December 31, 2017 and 2016

Guild Incorporated

Contents

December 31, 2017 and 2016

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, 2017 and 2016, 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.

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, 2017 and 2016, 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.

August 29, 2018
Saint Paul, Minnesota

Guild Incorporated

Statements of Financial Position

As of December 31,	2017	2016
ASSETS		
Current		
Cash and Cash Equivalents	$ 2,072,212	$ 1,162,851
Accounts Receivable, Net of Allowance	1,003,384	1,821,844
Promises to Give, Net of Allowance	245,094	244,868
Prepaid Expenses and Other Assets	185,117	175,241
Total Current Assets	3,505,807	3,404,804
Property and Equipment, Net of Accumulated Depreciation	1,630,664	1,772,391
Other Assets		
Promises to Give, Net of Current Portion and Discount	540,685	511,506
Beneficial Interests in Assets Held by Others	944,357	842,595
Total Other Assets	1,485,042	1,354,101
Total Assets	**$ 6,621,513**	**$ 6,531,296**
LIABILITIES AND NET ASSETS		
Current		
Current Portion of Notes Payable	$ 42,100	$ 40,151
Accounts Payable	117,198	108,740
Accrued Liabilities	687,234	632,893
Deferred Revenue	819	13,848
Total Current Liabilities	847,351	795,632
Long-Term		
Notes Payable, Net of Current Portion	40,307	82,322
Total Liabilities	887,658	877,954
Net Assets		
Unrestricted	3,857,651	3,907,592
Temporarily Restricted	1,092,238	973,353
Permanently Restricted	783,966	772,397
Total Net Assets	5,733,855	5,653,342
Total Liabilities and Net Assets	**$ 6,621,513**	**$ 6,531,296**

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

Guild Incorporated

Statements of Activities and Changes in Net Assets

For the Years Ended December 31,	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Public Support and Revenue								
Public Support								
Contributions	$ 520,781	$ 773,042	$ 11,569	$ 1,305,392	$ 425,268	$ 762,050	$ 5,061	$ 1,192,379
Event Sponsorships and Ticket Revenue	85,410			85,410	73,660			73,660
In-Kind Contributions	64,464			64,464	59,846			59,846
Total Public Support	670,655	773,042	11,569	1,455,266	558,774	762,050	5,061	1,325,885
Revenue								
MN Health Care Programs	9,103,008			9,103,008	8,783,098			8,783,098
County Service Fees	2,067,383			2,067,383	2,121,406			2,121,406
Private Health Insurance and Private Pay	201,688			201,688	109,089			109,089
Resident Fees	559,562			559,562	486,430			486,430
Grants	1,674,343			1,674,343	1,137,605			1,137,605
Housing Subsidies	902,465			902,465	829,619			829,619
Investment Income	1,364			1,364	1,195			1,195
Other Revenue	71,346			71,346	77,444			77,444
Total Revenue	14,581,159			14,581,159	13,545,886			13,545,886
Net Assets Released from Restriction	777,370	(777,370)			751,974	(751,974)		
Total Public Support and Revenue	16,029,184	(4,328)	11,569	16,036,425	14,856,634	10,076	5,061	14,871,771
Expenses								
Program Services	13,526,535			13,526,535	12,119,881			12,119,881
Supporting Services								
Management and General	2,091,688			2,091,688	1,662,653			1,662,653
Fundraising	381,956			381,956	383,422			383,422
Fundraising Events—Costs of Direct Benefit to Donors	78,946			78,946	63,422			63,422
Total Supporting Services	2,552,590			2,552,590	2,109,497			2,109,497
Total Expenses	16,079,125			16,079,125	14,229,378			14,229,378
Increase in Beneficial Interest in Assets Held by Others		123,213		123,213		49,864		49,864
Increase (Decrease) in Net Assets	(49,941)	118,885	11,569	80,513	627,256	59,940	5,061	692,257
Net Assets, Beginning of Year	3,907,592	973,353	772,397	5,653,342	3,280,336	913,413	767,336	4,961,085
Net Assets, End of Year	**$ 3,857,651**	**$ 1,092,238**	**$ 783,966**	**$ 5,733,855**	**$ 3,907,592**	**$ 973,353**	**$ 772,397**	**$ 5,653,342**

Guild Incorporated

Statements of Cash Flows

For the Years Ended December 31,	2017	2016
Cash Flows From Operating Activities		
Increase in Net Assets	$ 80,513	$ 692,257
Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization	185,975	178,702
Bad Debt Expense	367,704	257,475
Permanently Restricted Contributions	(11,569)	(5,061)
(Increase) Decrease in Beneficial Interests in Assets Held by Others	(123,213)	(49,864)
Change in Discount on Promises to Give	-	6,214
Changes in Operating Assets and Liabilities:		
Accounts Receivable	456,256	(722,764)
Promises to Give	(34,905)	(126,885)
Prepaid Expenses and Other Assets	(9,876)	(4,040)
Accounts Payable	8,458	(14,961)
Accrued Liabilities	54,341	85,487
Deferred Revenue	(13,029)	(6,680)
Net Cash Provided by Operating Activities	960,655	289,880
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(44,248)	(100,871)
Net Cash (Used in) Investing Activities	(44,248)	(100,871)
Cash Flows From Financing Activities		
Payments on Notes Payable	(40,066)	(40,537)
Contributions Restricted for Endowment	11,569	5,061
Transfer of Assets to Beneficial Interests in Assets Held by Others	(11,569)	(5,161)
Distributions from Beneficial Interests in Assets Held by Others	33,020	34,769
Net Cash (Used in) Financing Activities	(7,046)	(5,868)
Change in Cash and Cash Equivalents	909,361	183,141
Cash and Cash Equivalents, Beginning of Year	1,162,851	979,710
Cash and Cash Equivalents, End of Year	**$ 2,072,212**	**$ 1,162,851**
Supplemental Disclosures of Cash Flow Information		
Cash Paid For Interest	$ 5,023	$ 6,934

Guild Incorporated

Statements of Functional Expenses

For the Years Ended December 31,	2017					2016				
		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	$ 7,852,829	$ 1,256,553	$ 222,325	$ 1,478,878	$ 9,331,707	$ 6,994,872	$ 946,931	$ 195,579	$ 1,142,510	$ 8,137,382
Payroll Taxes and Benefits	1,955,794	288,837	38,547	327,384	2,283,178	1,727,323	220,325	37,995	258,320	1,985,643
Total Personnel Expenses	9,808,623	1,545,390	260,872	1,806,262	11,614,885	8,722,195	1,167,256	233,574	1,400,830	10,123,025
Client Assistance	1,573,716				1,573,716	1,349,623				1,349,623
Professional Fees	492,567	167,066	15,747	182,813	675,380	546,786	175,522	5,611	181,133	727,919
Occupancy	188,115	167,138	2,053	169,191	357,306	197,230	151,514	1,683	153,197	350,427
Travel	345,985	8,579	5,463	14,042	360,027	346,484	8,389	3,800	12,189	358,673
Program and Development Supplies	53,904	62,600	128,774	191,374	245,278	58,258	41,471	125,685	167,156	225,414
Telephone	144,086	17,427	1,006	18,433	162,519	142,089	10,090	911	11,001	153,090
Insurance Expense	151,441	26,585	264	26,849	178,290	144,471	26,621	2,404	29,025	173,496
Building and Grounds Maintenance	63,355	18,836	223	19,059	82,414	58,937	12,079	146	12,225	71,162
Equipment Rental and Maintenance	82,739	43,038	745	43,783	126,522	78,346	23,216	481	23,697	102,043
Food	55,373	-	-	-	55,373	56,634	-	-	-	56,634
Maintenance Supplies	18,450	6,629	79	6,708	25,158	25,857	6,112	80	6,192	32,049
Office Supplies	14,073	6,283	68	6,351	20,424	17,845	11,025	277	11,302	29,147
Postage	6,656	4,918	3,109	8,027	14,683	6,460	5,344	1,074	6,418	12,878
Bad Debt	345,204	-	22,500	22,500	367,704	199,383	-	58,092	58,092	257,475
Interest	5,023	-	-	-	5,023	6,923	11	-	11	6,934
Other	8,227	3,234	16,987	20,221	28,448	2,909	6,744	11,034	17,778	20,687
Total Expenses Before Depreciation and Amortization	13,357,537	2,077,723	457,890	2,535,613	15,893,150	11,960,430	1,645,394	444,852	2,090,246	14,050,676
Depreciation and Amortization	168,998	13,965	3,012	16,977	185,975	159,451	17,259	1,992	19,251	178,702
Total Expenses	$13,526,535	$ 2,091,688	$ 460,902	$ 2,552,590	$ 16,079,125	$ 12,119,881	$ 1,662,653	$ 446,844	$ 2,109,497	$ 14,229,378
Percentage	84%	13%	3%	16%	100%	85%	12%	3%	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 rate used for the years ending December 31, 2017 and 2016 was 1.93%. 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.

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 which are similar in nature to the terms described above (Note 9).

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.

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 August 29, 2018, the date that the financial statements were available to be released.

3. Accounts Receivable

Accounts receivable were due from the following at December 31:

	2017	2016
State of Minnesota	$ 303,361	$ 621,885
Counties	70,131	107,137
Managed Care Organizations	605,924	1,053,533
Other	108,968	124,289
Total Accouts Receivable	1,088,384	1,906,844
Less: Allowance for Doubtful Accounts	(85,000)	(85,000)
Accounts Receivable, Net	$ 1,003,384	$ 1,821,844

4. Promises to Give

Promises to give consisted of the following at December 31:

	2017	2016
Promises to Give	$ 876,325	$ 830,081
Allowance for Uncollectible Promises	(69,410)	(52,571)
Unamortized Discount	(21,136)	(21,136)
Promises to Give, Net	$ 785,779	$ 756,374

At December 31, 2017, promises to give were scheduled to be received as follows:

	Promises To Give	Allowance for Uncollectible Promises	Discount	Promises to Give, Net
One Year	$ 314,504	$ (69,410)	$ -	$ 245,094
Two to Five Years	561,821	-	(21,136)	540,685
Total	$ 876,325	$ (69,410)	$ (21,136)	$ 785,779

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2017	2016
Land	$ 369,500	$ 369,500
Buildings and Improvements	1,743,500	1,735,378
Leasehold Improvements	431,175	425,987
Furniture, Equipment and Vehicles	1,057,113	1,026,175
Total Property and Equipment	3,601,288	3,557,040
Less: Accumulated Depreciation	(1,970,624)	(1,784,649)
Property and Equipment, Net	$ 1,630,664	$ 1,772,391

Depreciation expense totaled $185,975 and $178,702 for the years ended December 31, 2017 and 2016, respectively.

6. Line of Credit

The Organization had 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 required 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, 2017 and 2016.

7. Notes Payable

Notes payable consisted of the following at December 31:

	2017	2016
Note payable to bank, due in monthly installments of $3,757, including interest, through November 14, 2019. The note bears interest at 4.75% and is secured by various properties of the Organization.	$ 82,407	$ 122,473
Total Notes Payable	82,407	122,473
Less: Current Portion	42,100	40,151
Long-Term Notes Payable, Net	$ 40,307	$ 82,322

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

Year	Amount
2018	$ 42,100
2019	40,307
Total	$ 82,407

In June 2018, this note was replaced with a new note that has similar terms. The new note is due in monthly installments of $3,799, including interest at 5.50% through its maturity in December 2019.

8. Temporarily Restricted Net Assets

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

	2017	2016
Time Restricted		
General Operations	$ 855,551	$ 817,145
Shared Housing Project	25,400	28,000
Endowment Income	160,391	70,198
Purpose Restricted		
Community Support	34,085	42,881
Capital Purchases	2,169	-
Supportive Housing	800	1,000
Other	13,844	14,129
Total	$ 1,092,240	$ 973,353

Net assets released from donor restrictions for programs for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Time Restricted		
General Operations	$ 334,360	$ 279,905
Shared Housing Project	2,600	2,600
Endowment Income	33,020	34,769
Purpose Restricted		
Employment Services	22,253	56,679
Youth ACT Services	106,652	49,839
Community Access Services	214,502	109,998
Development	500	11,500
Capital Projects	9,903	49,752
Supportive Housing	39,540	102,425
Other	14,040	54,507
Total	$ 777,370	$ 751,974

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, 2017 and 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
January 1, 2016	$ -	$ 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
Increase in Beneficial Interests Held by Others		123,213		123,213
Contributions			11,569	11,569
Appropriation of Endowment Assets for Expenditure		(33,020)		(33,020)
December 31, 2017	$ -	$ 160,391	$ 783,966	$ 944,357

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:

	2017	2016
Beneficial Interests In Assets Held By Others		
The Saint Paul Foundation	$ 910,736	$ 812,333
The Catholic Community Foundation	20,719	18,600
The Minneapolis Foundation	12,902	11,662
Promises to Give, Net	785,779	756,374
Total	$ 1,730,136	$ 1,598,969

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

	2017	2016
Balance, Beginning of Year	$ 1,598,969	$ 1,508,563
Change in Promises to Give, Net of Cash Received	46,244	83,935
Change in Valuation of Promises to Give	(16,839)	(13,785)
Distributions from Beneficial Interests	(33,020)	(34,769)
Transfer to Beneficial Interests	11,569	5,161
Change in Value of Beneficial Interests	123,213	49,864
Balance, End of Year	$ 1,730,136	$ 1,598,969

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:

	2017	2016
Program		
Food and Food Gift Cards	$ 53,680	$ 57,410
Other	7,411	652
Management and General		
Professional Services	3,373	1,784
Total	$ 64,464	$ 59,846

12. Fundraising Events

Net support provided to the Organization from fundraising events during the years ended December 31, 2017 and 2016, were as follows:

	2017		
	Ladder of Hope	Bash4Guild	Total
Event Sponsorships and Ticket Revenue	$ 53,500	$ 31,910	$ 85,410
Event Contributions	402,621	71,560	474,181
Total Contributions and Revenue	456,121	103,470	559,591
Costs of Direct Benefit to Donors	36,448	42,498	78,946
Other Direct Expenses	27,083	9,060	36,143
Total Direct Event Expenses	63,531	51,558	115,089
Net Support from Special Events	$ 392,590	$ 51,912	$ 444,502

	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

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, 2017:

Year	Office Equipment	Office Space	Totals
2018	$ 16,734	$ 257,013	$ 273,747
2019	14,924	260,682	275,606
2020	14,924	264,351	279,275
2021	3,731	268,021	271,752
Total	$ 50,313	$ 1,050,067	$ 1,100,380

Rent expense for all operating leases for the years ended December 31, 2017 and 2016 was $314,325 and $305,198, 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 84% and 88% of the balance of accounts receivable was due from the State of Minnesota either directly or through a Managed Care Organization at December 31, 2017 and 2016, respectively.

Support and Revenue

Approximately 72% and 70% of public support and revenue was provided by the State of Minnesota either directly or through a Managed Care Organization for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, were $211,963 and $189,379, respectively.

16. Subsequent Events

A 16—bed recovery and transition center initiative is set to be built by Scott County starting in the fall of 2018, and will be under the management of the Organization beginning the summer of 2019.

17. Reclassifications

Certain reclassifications have been made to the 2017 financial statements to provide comparability to the 2018 presentation.