Financial Statements
December 31, 2018 and 2017

Guild Incorporated

Independent Auditor's Report

The Board of Directors
Guild Incorporated
Saint Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Guild Incorporated (the Organization) which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, and the results of its activities and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 16 to the combined financial statements, the Organization has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets at December 31, 2017, have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

Other Matter
The financial statements of Guild Incorporated as of December 31, 2017, were audited by other auditors, whose report dated August 29, 2018, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Minneapolis, Minnesota
May 3, 2019

	2018	2017 (Restated)
Assets		
Cash and cash equivalents	$ 1,939,069	$ 2,072,212
Accounts receivable, net	1,222,367	1,003,384
Promises to give, net	921,472	785,779
Prepaid expenses and other assets	183,240	185,117
Property and equipment, net	1,464,269	1,630,664
Beneficial interests in assets held by others	858,991	944,357
	$ 6,589,408	$ 6,621,513
Liabilities and Net Assets		
Accounts payable	$ 12,628	$ 117,198
Accrued liabilities	707,719	687,234
Deferred revenue	10,819	819
Notes payable	44,237	82,407
Total liabilities	775,403	887,658
Net Assets		
Without donor restrictions	3,778,454	3,857,651
With donor restrictions		
Purpose of time restrictions	1,251,585	1,092,238
Perpetual in nature	783,966	783,966
Total net assets with donor restrictions	2,035,551	1,876,204
Total net assets	5,814,005	5,733,855
	$ 6,589,408	$ 6,621,513

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program service fees			
MN healthcare programs	$ 8,708,649	$ -	$ 8,708,649
County service fees	1,904,069	-	1,904,069
Housing subsidies	918,630	-	918,630
Resident fees	745,145	-	745,145
Private health insurance and private pay	197,663	-	197,663
Grants	1,984,919	-	1,984,919
Contributions	428,132	1,047,755	1,475,887
In-kind contributions	56,559	-	56,559
Gross event sponsorships and ticket revenue	106,354	-	106,354
Investment income	4,629	-	4,629
Other revenue	172,902	-	172,902
Net assets released from restriction	837,225	(837,225)	-
Total revenue, support, and gains	16,064,876	210,530	16,275,406
Expenses			
Program services	13,560,541	-	13,560,541
Supporting services			
Management and general	2,114,794	-	2,114,794
Fundraising	317,441	-	317,441
Fundraising events - costs to direct benefit to donors	151,297	-	151,297
Total supporting services	2,583,532	-	2,583,532
Total expenses	16,144,073	-	16,144,073
Distributions from and change in value of beneficial interest in assets held by others	-	(51,183)	(51,183)
Change in Net Assets	(79,197)	159,347	80,150
Net Assets, Beginning of Year (Restated)	3,857,651	1,876,204	5,733,855
Net Assets, End of Year	$ 3,778,454	$ 2,035,551	$ 5,814,005

See Notes to Financial Statements

2017 (Restated)		
Without Donor Restrictions	With Donor Restrictions	Total
$ 9,103,008	$ -	$ 9,103,008
2,067,383	-	2,067,383
902,465	-	902,465
559,562	-	559,562
201,688	-	201,688
1,674,343	-	1,674,343
520,781	784,611	1,305,392
64,464	-	64,464
85,410	-	85,410
1,364	-	1,364
71,346	-	71,346
777,370	(777,370)	-
16,029,184	7,241	16,036,425
13,526,535	-	13,526,535
2,091,688	-	2,091,688
381,956	-	381,956
78,946	-	78,946
2,552,590	-	2,552,590
16,079,125	-	16,079,125
-	123,213	123,213
(49,941)	130,454	80,513
3,907,592	1,745,750	5,653,342
$ 3,857,651	$ 1,876,204	$ 5,733,855

	2018				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries	$ 8,036,268	$ 1,169,164	$ 217,002	$ 1,386,166	$ 9,422,434
Benefits and Payroll Taxes	2,147,607	269,708	45,740	315,448	2,463,055
	10,183,875	1,438,872	262,742	1,701,614	11,885,489
Client Assistance	1,806,717	-	-	-	1,806,717
Professional Fees	381,608	303,243	8,912	312,155	693,763
Occupancy	220,271	150,680	391	151,071	371,342
Travel	322,624	12,762	2,991	15,753	338,377
Program and Development Supplies	22,412	42,928	155,300	198,228	220,640
Telephone	114,802	22,311	1,116	23,427	138,229
Insurance Expense	91,245	24,420	-	24,420	115,665
Building and Grounds maintenance	79,072	27,085	-	27,085	106,157
Equipment rental and Maintenance	18,583	22,965	-	22,965	41,548
Food	60,531	3,421	-	3,421	63,952
Maintenance Supplies	8,181	32,408	912	33,320	41,501
Office Supplies	24,168	19,582	175	19,757	43,925
Postage	2,893	3,190	1,925	5,115	8,008
Bad Debt	59,762	-	20,306	20,306	80,068
Interest	3,785	-	-	-	3,785
Other	2,880	4,138	12,191	16,329	19,209
Total Expenses Before Depreciation and Amortization	13,403,409	2,108,005	466,961	2,574,966	15,978,375
Depreciation and Amortization	157,132	6,789	1,777	8,566	165,698
Total expenses	$ 13,560,541	$ 2,114,794	$ 468,738	$ 2,583,532	$ 16,144,073

2017				
	Supporting Services			
Program Services	Management and General	Fundraising	Total Supporting Services	Totals
$ 7,852,829	$ 1,256,553	$ 222,325	$ 1,478,878	$ 9,331,707
1,955,794	288,837	38,547	327,384	2,283,178
9,808,623	1,545,390	260,872	1,806,262	11,614,885
1,573,716	-	-	-	1,573,716
492,567	167,066	15,747	182,813	675,380
188,115	167,138	2,053	169,191	357,306
345,985	8,579	5,463	14,042	360,027
53,904	62,600	128,774	191,374	245,278
144,086	17,427	1,006	18,433	162,519
151,441	26,585	264	26,849	178,290
63,355	18,836	223	19,059	82,414
82,739	43,038	745	43,783	126,522
55,373	-	-	-	55,373
18,450	6,629	79	6,708	25,158
14,073	6,283	68	6,351	20,424
6,656	4,918	3,109	8,027	14,683
345,204	-	22,500	22,500	367,704
5,023	-	-	-	5,023
8,227	3,234	16,987	20,221	28,448
13,357,537	2,077,723	457,890	2,535,613	15,893,150
168,998	13,965	3,012	16,977	185,975
$ 13,526,535	$ 2,091,688	$ 460,902	$ 2,552,590	$ 16,079,125

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 80,150	$ 80,513
Adjustments to reconcile change in net assets to net cash and cash equivalents from (used for) operating activities		
Depreciation and amortization	165,698	185,975
Bad debt expense	80,068	367,704
Contributions restricted to endowment	-	(11,569)
(Increase) decrease in beneficial interests in assets held by others	51,183	(123,213)
Changes in operating assets and liabilities		
Accounts receivable	(299,051)	456,256
Promises to give	(140,814)	(34,905)
Prepaid expenses and other assets	1,877	(9,876)
Accounts payable	(104,570)	8,458
Accrued liabilities	20,485	54,341
Deferred grants	10,000	(13,029)
Net Cash from (used for) Operating Activities	(134,974)	960,655
Cash Flows from Investing Activities		
Purchase of property and equipment	697	(44,248)
Net Cash from (used for) Investing Activities	697	(44,248)
Cash Flows from (used for) Financing Activities		
Payments on notes payable	(38,170)	(40,066)
Collections of contributions restricted for endowment	5,121	11,569
Transfer of assets to beneficial interests in assets held by others	-	(11,569)
Distributions from beneficial interests in assets held by others	34,183	33,020
Net Cash from (used for) Financing Activities	1,134	(7,046)
Net Change in Cash and Cash Equivalents	(133,143)	909,361
Cash and Cash Equivalents, Beginning of Year	2,072,212	1,162,851
Cash and Cash Equivalents, End of Year	$ 1,939,069	$ 2,072,212
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 3,407	$ 5,023

Note 1 - Principal Activity and Significant Accounting Policies

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.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments that are limited as to use are excluded from this definition.

Accounts Receivable and Credit Policies

Accounts receivable consists primarily of noninterest-bearing amounts due for program service fees provided. 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. At December 31, 2018 and 2017, the Organization had an allowance of $83,114 and $85,000, respectively.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2018 and 2017, the allowance was $53,250 and $69,410, respectively.

Property and Equipment

Property and equipment additions over $1,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2018 and 2017, respectively.

Beneficial Interest in Assets Held by Others

The Organization has established the Guild Endowment Fund with The Saint Paul Foundation (TSPF or the Foundation). The fund was established as an endowment fund under terms of a separate fund agreement by the transfer of net assets with donor restrictions that are perpetual in nature. 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 net assets with donor restrictions that are perpetual in nature.

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 net assets with donor restrictions. 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Those resources over which the Board of Directors has discretionary control.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation (Note 12).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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.

Income Taxes

Guild Incorporated (Guild) is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Guild is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Guild is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Guild has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Guild believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Guild would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Advertising Costs

Advertising costs are expensed as incurred and was $32,806 and $27,790 during the years ended December 31, 2018 and 2017, respectively.

Recent Accounting Guidance

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 (the ASU), *Presentation of Financial Statements for Not-for-Profit Entities,* during August 2016, which modifies the presentation and disclosure requirements of not-for-profit entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Organization’s donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Organization’s intermediate measure of operations as well as disclosures to improve a financial statement user’s ability to assess the Organization’s liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses. The ASU also allows for the removal of the indirect reconciliation if presenting a direct cash flow statement. The ASU is effective for the Organization’s and has been adopted for the year ended December 31, 2018, resulting in a restatement as a result of the adoption (See Note 16).

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Organization has elected not to present comparative information about liquidity and availability of resources.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,939,069
Accounts receivable	1,222,367
Promises to give	349,222
Distributions from beneficial interests held by others	31,903
	$ 3,542,561

Guild Incorporated strives to maintain liquid financial assets sufficient to cover three to six months of general operating expenditures. Financial assets in excess of daily cash requirements are reserved for capital expenditures. Capital expenditures are processed through our annual capital planning process, items are reviewed monthly for changes and additions as new needs arise. New capital plans are subject to Board of Directors approval.

Note 3 - Accounts Receivable

Accounts receivable were due from the following at December 31:

	2018	2017
State of Minnesota	$ 422,283	$ 303,361
Counties	118,954	70,131
Managed care organizations	705,655	605,924
Other	58,619	108,968
Total accounts receivable	1,305,511	1,088,384
Less allowance for doubtful accounts	(83,144)	(85,000)
Accounts receivable, net	$ 1,222,367	$ 1,003,384

Note 4 - Promises to Give

At December 31, 2018, unconditional promises to give were scheduled to be received as follows:

	Promises to Give	Allowance for Uncollectible Promises	Discount	Promises to Give, Net
One year	$ 349,222	$ (53,250)	$ -	$ 295,972
Two to five years	653,062	-	(27,562)	625,500
	$ 1,002,284	$ (53,250)	$ (27,562)	$ 921,472

At December 31, 2017, unconditional 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
	$ 876,325	$ (69,410)	$ (21,136)	$ 785,779

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2018	2017
Land	$ 369,500	$ 369,500
Building and property improvements	1,720,711	1,743,500
Leasehold improvement	294,334	431,175
Furniture, equipment, and vehicles	975,238	1,057,113
	3,359,783	3,601,288
Less accumulated depreciation	(1,895,514)	(1,970,624)
	$ 1,464,269	$ 1,630,664

Depreciation expense totaled $165,698 and $185,975 for the years ended December 31, 2018 and 2017, respectively.

Note 6 - Fair Value Measurements

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

> Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
>
> Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The fair value of beneficial interest in assets held by others (community foundation) is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at December 31:

		Fair Value Measurements at Reporting Date Using		
	Amount	Quoted Prices in Active Markets for Identified Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Beneficial interests in assets held by community foundation				
The Saint Paul Foundation	$ 827,888	$ -	$ -	$ 827,888
The Catholic Community Foundation	19,502			19,502
The Minneapolis Foundation	11,601	-	-	11,601
Total	$ 858,991	$ -	$ -	$ 858,991
December 31, 2017				
Beneficial interests in assets held by community foundation				
The Saint Paul Foundation	$ 910,736	$ -	$ -	$ 910,736
The Catholic Community Foundation	20,719			20,719
The Minneapolis Foundation	12,902	-	-	12,902
Total	$ 944,357	$ -	$ -	$ 944,357

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

	2018	2017
Balance, beginning of year	$ 944,357	$ 842,595
Distributions from beneficial interests	(34,183)	(33,020)
Transfer to beneficial interests	-	11,569
Change in value of beneficial interests	(51,183)	123,213
Balance, end of year	$ 858,991	$ 944,357

Note 7 - Line of Credit

The Organization had a line of credit agreement under which it could borrow up to $500,000 through June 19, 2019, 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, 2018 and 2017.

Note 8 - Notes Payable

Notes payable consisted of the following at December 31:

	2018	2017
Note payable to bank, due in monthly installments of $3,799, including interest, through December 2019. The note bears interest at 5.50% and is secured by various properties of the Organization.	$ 44,237	$ 82,407
Total notes payable	44,237	82,407
Less current portion	44,237	42,100
Notes payable, net of current portion	$ -	$ 40,307

Note 9 - 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, 2018:

Year	Office Equipment	Office Space	Totals
2019	$ 2,038	$ 262,116	$ 264,154
2020	1,451	265,785	267,236
2021	-	269,454	269,454
Total	$ 3,489	$ 797,355	$ 800,844

Rent expense incurred for the years ended December 31, 2018 and 2017, was $319,855 and $315,733, respectively.

Note 10 - 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 net assets with donor restrictions that are perpetual in nature the original value of the gift donated to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as net assets with donor restriction 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; and
- The investment policies of the Organization.

As of December 31, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018			
Donor-restricted endowment funds			
Original-restricted gift amount and amounts required to be maintained in perpeuity by donor	$ -	$ 783,966	$ 783,966
Accumulated investment gains	-	75,025	75,025
Total funds	$ -	$ 858,991	$ 858,991
December 31, 2017			
Donor-restricted endowment funds			
Original-restricted gift amount and amounts required to be maintained in perpeuity by donor	$ -	$ 783,966	$ 783,966
Accumulated investment gains	-	160,391	160,391
Total funds	$ -	$ 944,357	$ 944,357

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018 and 2017, there were no underwater endowments.

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 net assets with donor restrictions that are perpetual in nature while delivering funds to meet the charitable needs within the community;
- Strive for consistent absolute returns; and
- Earn the highest possible return given the established risk tolerance.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on TSPF's total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The TSPF 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 TSPF (the 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.

Changes in net assets and net asset balances related to the endowment as of and for the years ended December 31, 2018 and 2017, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2017	$ -	$ 842,595	$ 842,595
Change in value of beneficial interest held by others	-	123,213	123,213
Contributions	-	11,569	11,569
Distribution from beneficial interest held by others	-	(33,020)	(33,020)
Endowment net assets, December 31, 2017	-	944,357	944,357
Change in value of beneficial interest held by others	-	(51,184)	(51,184)
Distribution from beneficial interest held by others	-	(34,182)	(34,182)
Endowment net assets, December 31, 2018	$ -	$ 858,991	$ 858,991

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 were available for the following purposes:

	2018	2017
Subject to the passage of time		
General operations	$ 974,722	$ 855,551
Shared housing project	22,801	25,400
Endowment income	75,025	160,391
Subject to expenditure for specified purpose		
Community support	118,676	34,085
Capital purchases	21,769	2,169
Supportive housing	1,350	800
Other	37,242	13,844
	$ 1,251,585	$ 1,092,240
Restricted to endowment - perpetual in nature		
Beneficial interest held by others	$ 783,966	$ 783,966

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the year ended December 31:

	2018	2017
Expiration of time restrictions		
General operations	$ 369,082	$ 334,360
Shared housing project	2,600	2,600
Satisfaction of purpose restrictions		
Employment services	33,285	22,253
Youth ACT services	96,120	106,652
Community access services	209,000	214,502
Development	350	500
Capital projects	-	9,903
Supportive housing	-	39,540
Other	92,605	14,040
Endowment		
Distribution from beneficial interest held by others	34,183	33,020
	$ 837,225	$ 777,370

Note 12 - Donated Professional Services and Materials

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

	2018	2017
Program		
Food and food gift cards	$ 53,680	$ 53,680
Other	2,879	7,411
Management and general		
Professional services	-	3,373
Total	$ 56,559	$ 64,464

Note 13 - Fundraising Events

Net support provided to the Organization from fundraising events during the years ended December 31, 2018 and 2017, was as follows:

	2018		
	Ladder of Hope	Bash4Guild	Total
Event sponsorships and ticket revenue	$ 80,000	$ 26,354	$ 106,354
Event contributions	544,885	62,365	607,250
Total contributions and revenue	624,885	88,719	713,604
Costs of direct benefits to donors	59,321	34,396	93,717
Other direct expenses	37,211	20,369	57,580
Total direct event expenses	96,532	54,765	151,297
Net support from special events	$ 528,353	$ 33,954	$ 562,307

	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 benefits 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

Note 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 81% and 84% of the balance of accounts receivable was due from the State of Minnesota either directly or through a Managed Care Organization at December 31, 2018 and 2017, respectively.

Support and Revenue

Approximately 82% and 72% 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, 2018 and 2017, respectively.

Note 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, 2018 and 2017, were $195,888 and $211,963, respectively.

Note 16 - Adoption of ASU 2016-14

The Organization adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities,* as of January 1, 2018.

The following financial statement line items for the year ended December 31, 2017, were restated as a result of the adoption:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted	$ 3,857,651	$ (3,857,651)	$ -
Without donor restrictions	-	-	3,857,651
Temporarily restricted net assets	1,092,238	(1,092,238)	-
Permanently restricted net assets	783,966	(783,966)	-
Net assets with donor restrictions	-	1,876,204	1,876,204

Note 17 - 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.

Management has evaluated the effects of subsequent events through May 3, 2019, the date that the financial statements were available to be released.