



Financial Statements  
December 31, 2019 and 2018  
**Guild Incorporated**

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## 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, 2019, 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, 2019, 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.

A handwritten signature in black ink that reads "Eide Sallee LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota  
September 4, 2020

Guild Incorporated  
Statements of Financial Position  
December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 2,596,501	\$ 1,939,069
Accounts receivable, net	1,222,883	1,222,367
Promises to give, net	867,783	921,472
Prepaid expenses and other assets	175,073	183,240
Property and equipment, net	1,318,583	1,464,269
Beneficial interests in assets held by others	954,666	858,991
	\$ 7,135,489	\$ 6,589,408
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 135,519	\$ 12,628
Accrued liabilities	747,664	707,719
Deferred revenue	120,897	10,819
Notes payable	-	44,237
	1,004,080	775,403
<b>Net Assets</b>		
Without donor restrictions	4,006,442	3,778,454
With donor restrictions		
Purpose of time restrictions	1,341,001	1,251,585
Perpetual in nature	783,966	783,966
	2,124,967	2,035,551
	6,131,409	5,814,005
	\$ 7,135,489	\$ 6,589,408

Guild Incorporated  
Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2019 and 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue, Support, and Gains			
Program service fees			
MN healthcare programs	\$ 9,020,398	\$ -	\$ 9,020,398
County service fees	1,669,754	-	1,669,754
Housing subsidies	1,022,330	-	1,022,330
Resident fees	759,650	-	759,650
Private health insurance and private pay	160,093	-	160,093
Grants	2,272,144	-	2,272,144
Contributions	339,093	1,184,538	1,523,631
In-kind contributions	71,680	-	71,680
Gross event sponsorships and ticket revenue	108,180	-	108,180
Investment income	18,726	-	18,726
Other revenue	72,300	-	72,300
Net assets released from restriction	1,225,740	(1,225,740)	-
Total revenue, support, and gains	<u>16,740,088</u>	<u>(41,202)</u>	<u>16,698,886</u>
Expenses			
Program services	<u>13,524,062</u>	<u>-</u>	<u>13,524,062</u>
Supporting services			
Management and general	2,457,257	-	2,457,257
Fundraising	530,781	-	530,781
Fundraising events - costs to direct benefit to donors	-	-	-
Total supporting services	<u>2,988,038</u>	<u>-</u>	<u>2,988,038</u>
Total expenses	<u>16,512,100</u>	<u>-</u>	<u>16,512,100</u>
Change in value of beneficial interest in assets held by others	<u>-</u>	<u>130,618</u>	<u>130,618</u>
Change in Net Assets	227,988	89,416	317,404
Net Assets, Beginning of Year	<u>3,778,454</u>	<u>2,035,551</u>	<u>5,814,005</u>
Net Assets, End of Year	<u>\$ 4,006,442</u>	<u>\$ 2,124,967</u>	<u>\$ 6,131,409</u>

Guild Incorporated  
 Statements of Activities and Changes in Net Assets  
 Years Ended December 31, 2019 and 2018

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenue, Support, and Gains</b>			
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	<u>16,064,876</u>	<u>210,530</u>	<u>16,275,406</u>
<b>Expenses</b>			
Program services	<u>13,560,541</u>	-	<u>13,560,541</u>
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	<u>2,583,532</u>	-	<u>2,583,532</u>
Total expenses	<u>16,144,073</u>	-	<u>16,144,073</u>
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	<u>3,857,651</u>	<u>1,876,204</u>	<u>5,733,855</u>
Net Assets, End of Year	<u>\$ 3,778,454</u>	<u>\$ 2,035,551</u>	<u>\$ 5,814,005</u>

Guild Incorporated  
Statements of Functional Expenses  
Years Ended December 31, 2019 and 2018

	2019				Totals
	Program Services	Supporting Services		Total Supporting Services	
		Management and General	Fundraising		
Salaries	\$ 7,751,294	\$ 1,439,106	\$ 238,827	\$ 1,677,933	\$ 9,429,227
Benefits and Payroll Taxes	2,152,941	366,962	47,905	414,867	2,567,808
	9,904,235	1,806,068	286,732	2,092,800	11,997,035
Client Assistance	1,893,463	-	-	-	1,893,463
Professional Fees	387,823	372,835	15,866	388,701	776,524
Occupancy	308,361	75,127	-	75,127	383,488
Travel	336,001	15,051	7,764	22,815	358,816
Program and Development					
Supplies	10,143	30,568	138,665	169,233	179,376
Telephone	87,080	29,722	1,053	30,775	117,855
Insurance Expense	96,908	19,200	-	19,200	116,108
Building and Grounds					
Maintenance	105,361	8,547	-	8,547	113,908
Equipment Rental and					
Maintenance	20,428	6,157	-	6,157	26,585
Food	55,882	4,382	-	4,382	60,264
Maintenance Supplies	46,349	55,460	-	55,460	101,809
Office Supplies	34,520	16,456	905	17,361	51,881
Postage	6,338	2,040	1,630	3,670	10,008
Bad Debt	76,843	1,388	67,056	68,444	145,287
Interest	1,455	814	-	814	2,269
Other	13,317	1,302	9,900	11,202	24,519
Total Expenses Before Depreciation and Amortization	13,384,507	2,445,117	529,571	2,974,688	16,359,195
Depreciation and Amortization	139,555	12,140	1,210	13,350	152,905
Total expenses	<u>\$ 13,524,062</u>	<u>\$ 2,457,257</u>	<u>\$ 530,781</u>	<u>\$ 2,988,038</u>	<u>\$ 16,512,100</u>



Guild Incorporated  
 Statements of Functional Expenses  
 Years Ended December 31, 2019 and 2018

	2018				Totals
	Program Services	Supporting Services		Total Supporting Services	
		Management and General	Fundraising		
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
<b>Total expenses</b>	<b>\$ 13,560,541</b>	<b>\$ 2,114,794</b>	<b>\$ 468,738</b>	<b>\$ 2,583,532</b>	<b>\$ 16,144,073</b>

Guild Incorporated  
Statements of Cash Flows  
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 317,404	\$ 80,150
Adjustments to reconcile change in net assets to net cash and cash equivalents from (used for) operating activities		
Depreciation and amortization	152,905	165,698
Bad debt expense	145,287	80,068
(Increase) decrease in beneficial interests in assets held by others	(95,675)	51,183
Changes in operating assets and liabilities		
Accounts receivable	(145,803)	(299,051)
Promises to give	53,689	(140,814)
Prepaid expenses and other assets	8,167	1,877
Accounts payable	122,891	(104,570)
Accrued liabilities	39,945	20,485
Deferred grants	110,078	10,000
	<u>708,888</u>	<u>(134,974)</u>
Net Cash from (used for) Operating Activities		
Cash Flows from Investing Activities		
Sale of property and equipment	-	697
Purchase of property and equipment	(7,219)	-
	<u>(7,219)</u>	<u>697</u>
Net Cash from (used for) Investing Activities		
Cash Flows from (used for) Financing Activities		
Payments on notes payable	(44,237)	(38,170)
Collections of contributions restricted for endowment	-	5,121
Distributions from beneficial interests in assets held by others	-	34,183
	<u>(44,237)</u>	<u>1,134</u>
Net Cash from (used for) Financing Activities		
Net Change in Cash and Cash Equivalents	657,432	(133,143)
Cash and Cash Equivalents, Beginning of Year	<u>1,939,069</u>	<u>2,072,212</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,596,501</u>	<u>\$ 1,939,069</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	<u>\$ 2,268</u>	<u>\$ 3,407</u>

## **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, 2019 and 2018, the Organization had an allowance of \$85,000 and \$83,114, 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, 2019 and 2018, the allowance was \$53,250 in both years.

### **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, 2019 and 2018, 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

Program service fee revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client care (various mental health therapeutic services). These amounts are due from clients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the third-party payors or the clients several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to clients receiving skilled therapy services. The Organization measures the performance obligation (associated with therapy services) from intake of the patient to the point when it is no longer required to provide services to that patient. There are no significant revenues with related performance obligations satisfied at a point in time.

The Organization determines the transaction price based on pre-determined charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured clients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of clients.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Organization considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, counties, managed care or other insurance, or client) have different reimbursement/payment methodologies.
- Length of a client's service/episode of care.
- Nature or line of service provided by the Organization.

Program service fees and payments under cost-reimbursable contracts and under service grants and contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

#### **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 \$27,217 and \$32,806 during the years ended December 31, 2019 and 2018, respectively.

### Recent Accounting Guidance

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenues from Contracts with Customers* (Topic 606). The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 identifies a five-step process in order to recognize revenue. In addition, there is also more comprehensive guidance for transactions such as service revenue, contract modifications and multiple-element arrangements.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has also adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), 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:

	2019	2018
Cash and cash equivalents	\$ 2,596,501	\$ 1,939,069
Accounts receivable	1,222,883	1,222,367
Promises to give	265,788	349,222
Distributions from beneficial interests held by others	34,000	31,903
	\$ 4,119,172	\$ 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:

	2019	2018
State of Minnesota	\$ 365,074	\$ 422,283
Counties	75,196	118,954
Managed care organizations	788,826	705,655
Other	78,787	58,619
Total accounts receivable	1,307,883	1,305,511
Less allowance for doubtful accounts	(85,000)	(83,114)
Accounts receivable, net	\$ 1,222,883	\$ 1,222,397



**Note 4 - Promises to Give**

At December 31, 2019, unconditional promises to give were scheduled to be received as follows:

	<u>Promises to Give</u>	<u>Allowance for Uncollectible Promises</u>	<u>Discount</u>	<u>Promises to Give, Net</u>
One year	\$ 343,384	\$ (53,250)	\$ -	\$ 290,134
Two to five years	603,516	-	(25,867)	577,649
	<u>\$ 946,900</u>	<u>\$ (53,250)</u>	<u>\$ (25,867)</u>	<u>\$ 867,783</u>

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

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

**Note 5 - Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 369,500	\$ 369,500
Building and property improvements	1,724,564	1,720,711
Leasehold improvement	294,334	294,334
Furniture, equipment, and vehicles	978,604	975,238
	<u>3,367,002</u>	<u>3,359,783</u>
Less accumulated depreciation	<u>(2,048,419)</u>	<u>(1,895,514)</u>
	<u>\$ 1,318,583</u>	<u>\$ 1,464,269</u>

Depreciation expense totaled \$152,905 and \$165,698 for the years ended December 31, 2019 and 2018, 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:

	<u>Amount</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identified Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2019				
Beneficial interests in assets held by community foundation				
The Saint Paul Foundation	\$ 918,622	\$ -	\$ -	918,622
The Catholic Community Foundation	23,101	-	-	23,101
The Minneapolis Foundation	<u>12,943</u>	<u>-</u>	<u>-</u>	<u>12,943</u>
Total	<u>\$ 954,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 954,666</u>
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	<u>11,601</u>	<u>-</u>	<u>-</u>	<u>11,601</u>
Total	<u>\$ 858,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 858,991</u>

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 858,991	\$ 944,357
Distributions from beneficial interests	(34,943)	(34,183)
Change in value of beneficial interests	<u>130,618</u>	<u>(51,183)</u>
Balance, end of year	<u>\$ 954,666</u>	<u>\$ 858,991</u>

**Note 7 - Line of Credit**

The Organization had a line of credit agreement under which it could borrow up to \$500,000 through June 20, 2020, 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, 2019 and 2018.

**Note 8 - Notes Payable**

Notes payable consisted of the following at December 31:

	2019	2018
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
Total notes payable	-	44,237
Less current portion	-	44,237
Notes payable, net of current portion	\$ -	\$ -

**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, 2019:

Year	Office Equipment	Office Space	Totals
2020	\$ 16,811	\$ 298,013	\$ 314,824
2021	16,881	298,435	315,316
Total	\$ 33,692	\$ 596,448	\$ 630,140

Rent expense incurred for the years ended December 31, 2019 and 2018, was \$304,256 and \$319,855, 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
<u>December 31, 2019</u>			
Donor-restricted endowment funds			
Original-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 783,966	\$ 783,966
Accumulated investment gains	-	170,700	170,700
Total funds	\$ -	\$ 954,666	\$ 954,666
<u>December 31, 2018</u>			
Donor-restricted endowment funds			
Original-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 783,966	\$ 783,966
Accumulated investment gains	-	75,025	75,025
Total funds	\$ -	\$ 858,991	\$ 858,991

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, 2019 and 2018, 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, 2019 and 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ -	\$ 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
Change in value of beneficial interest held by others	-	130,618	130,618
Distribution from beneficial interest held by others	-	(34,943)	(34,943)
Endowment net assets, December 31, 2019	\$ -	\$ 954,666	\$ 954,666

**Note 11 - Net Assets with Donor Restrictions**

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

	<u>2019</u>	<u>2018</u>
Subject to the passage of time		
General operations	\$ 921,032	\$ 974,722
Shared housing project	22,801	24,970
Endowment income	170,700	75,025
Subject to expenditure for specified purpose		
Community support	38,298	25,163
Capital purchases	184,170	134,559
Bash 4 Guild	-	2,500
Other	4,000	14,646
	<u>\$ 1,341,001</u>	<u>\$ 1,251,585</u>
Restricted to endowment - perpetual in nature		
Beneficial interest held by others	<u>\$ 783,966</u>	<u>\$ 783,966</u>

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:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions		
General operations	\$ 502,315	\$ 369,082
Shared housing project	2,169	2,600
Satisfaction of purpose restrictions		
Employment services	34,006	33,286
Youth ACT services	-	96,120
Community support	316,863	209,000
Development	-	350
Capital projects	101,588	-
Bash 4 Guild	99,590	-
Other	134,266	92,605
Endowment		
Distribution from beneficial interest held by others	<u>34,943</u>	<u>34,182</u>
	<u>\$ 1,225,740</u>	<u>\$ 837,225</u>



**Note 12 - Donated Professional Services and Materials**

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

	<u>2019</u>	<u>2018</u>
Program		
Food and food gift cards	\$ 71,680	\$ 53,680
Other	-	2,879
	<u>          </u>	<u>          </u>
Total	<u>\$ 71,680</u>	<u>\$ 56,559</u>

**Note 13 - Fundraising Events**

Net support provided to the Organization from fundraising events during the years ended December 31, 2019 and 2018, was as follows:

	<u>2019</u>		
	<u>Ladder of Hope</u>	<u>Bash4Guild</u>	<u>Total</u>
Event sponsorships and ticket revenue	\$ 78,500	\$ 29,680	\$ 108,180
Event contributions	525,117	72,186	597,303
Total contributions and revenue	<u>603,617</u>	<u>101,866</u>	<u>705,483</u>
Costs of direct benefits to donors	56,185	11,747	67,932
Other direct expenses	24,504	22,652	47,156
Total direct event expenses	<u>80,689</u>	<u>34,399</u>	<u>115,088</u>
Net support from special events	<u>\$ 522,928</u>	<u>\$ 67,467</u>	<u>\$ 590,395</u>
	<u>2018</u>		
	<u>Ladder of Hope</u>	<u>Bash4Guild</u>	<u>Total</u>
Event sponsorships and ticket revenue	\$ 80,000	\$ 26,354	\$ 106,354
Event contributions	544,885	62,365	607,250
Total contributions and revenue	<u>624,885</u>	<u>88,719</u>	<u>713,604</u>
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	<u>96,532</u>	<u>54,765</u>	<u>151,297</u>
Net support from special events	<u>\$ 528,353</u>	<u>\$ 33,954</u>	<u>\$ 562,307</u>

**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 76% and 81% of the balance of accounts receivable was due from the State of Minnesota either directly or through a Managed Care Organization at December 31, 2019 and 2018, respectively.

**Support and Revenue**

Approximately 82% and 82% 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, 2019 and 2018, respectively.

**Note 15 - Deferred Revenue**

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2019:

	2019
Deferred revenue, beginning of year	\$ 10,819
Cash receipts	181,894
Revenue recognized due to satisfaction of performance obligations	(71,816)
Deferred revenue, end of year	\$ 120,897

**Note 16 - 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, 2019 and 2018, were \$198,261 and \$195,888, respectively.

## **Note 17 - Subsequent Events**

### **General Operations**

Subsequent to year-end, the Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

The Organization has rapidly and successfully pivoted to provide care via telehealth working with our payers and clients so the Organization can continue providing transformative services to their clients. In addition, the Organization has received a forgivable “Payroll Protection Program” loan from the United States Small Business Administration. The loan will help provide needed liquidity to meet payroll over the allowed period. As of the issuance date of these financial statements, the full impact of the coronavirus pandemic to the Organization’s financial position is not known.

The Organization has evaluated subsequent events through September 4, 2020, the date on which the consolidated financial statements were available to be issued.