Financial Statements
December 31, 2023 and 2022

# Guild

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# Independent Auditor's Report

The Board of Directors
Guild
Saint Paul, Minnesota

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Guild (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*__Auditor's Responsibilities for the Audit of the Financial Statements__*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Minneapolis, Minnesota
June 6, 2024

| | 2023 | 2022 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 5,745,248 | $ 4,914,620 |
| Restricted cash | 314,575 | 96,850 |
| Accounts receivable, net of allowance for credit losses of $85,000 in 2023 and 2022 | 1,197,738 | 1,294,920 |
| Promises to give, net | 1,368,226 | 992,742 |
| Prepaid expenses and other assets | 361,934 | 309,713 |
| Operating investments | 1,028,776 | - |
| Property and equipment, net | 1,782,406 | 2,006,985 |
| Operating lease right of use asset | 5,666,911 | 6,110,202 |
| Beneficial interests in assets held by others | 1,040,986 | 1,000,663 |
| Total assets | $ 18,506,800 | $ 16,726,695 |
| Liabilities and Net Assets | | |
| Accounts payable | $ 193,677 | $ 172,919 |
| Accrued liabilities | 945,756 | 827,599 |
| Deferred revenue | 819 | 18,477 |
| Notes payable | 446,386 | 628,474 |
| Operating lease liability | 5,790,374 | 6,174,301 |
| Total liabilities | 7,377,012 | 7,821,770 |
| Net Assets | | |
| Without donor restrictions | 8,360,198 | 6,814,670 |
| With donor restrictions | | |
| Purpose restrictions | 406,795 | 65,351 |
| Time-restricted for future periods | 1,321,809 | 1,024,241 |
| Perpetual in nature | 1,040,986 | 1,000,663 |
| | 2,769,590 | 2,090,255 |
| Total net assets | 11,129,788 | 8,904,925 |
| Total liabilities and net assets | $ 18,506,800 | $ 16,726,695 |

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue, Support, and Gains | | | |
| Program service fees | | | |
| MN healthcare programs | $ 9,523,644 | $ - | $ 9,523,644 |
| County service fees | 1,482,514 | - | 1,482,514 |
| Housing subsidies | 2,015,866 | - | 2,015,866 |
| Resident fees | 1,014,579 | - | 1,014,579 |
| Private health insurance and private pay | 37,473 | - | 37,473 |
| Grants | 1,989,029 | - | 1,989,029 |
| Contributions | 648,011 | 1,786,512 | 2,434,523 |
| In-kind contributions | 22,112 | - | 22,112 |
| Gross event sponsorships and ticket revenue | 205,790 | - | 205,790 |
| Less cost of direct benefit to donors | (156,137) | - | (156,137) |
| Net special event revenue | 49,653 | - | 49,653 |
| Net investment return | 117,232 | - | 117,232 |
| Change in value of beneficial interest in assets held by others | - | 78,710 | 78,710 |
| Employee retention credit revenue | 3,558,419 | | 3,558,419 |
| Other revenue | 74,796 | - | 74,796 |
| Net assets released from restriction | 1,185,887 | (1,185,887) | - |
| Total revenue, support, and gains | 21,719,215 | 679,335 | 22,398,550 |
| Expenses | | | |
| Program services | 15,655,473 | - | 15,655,473 |
| Supporting services | | | |
| Management and general | 3,562,657 | - | 3,562,657 |
| Fundraising | 955,557 | - | 955,557 |
| Total supporting services | 4,518,214 | - | 4,518,214 |
| Total expenses | 20,173,687 | - | 20,173,687 |
| Change in Net Assets | 1,545,528 | 679,335 | 2,224,863 |
| Net Assets, Beginning of Year | 6,814,670 | 2,090,255 | 8,904,925 |
| Net Assets, End of Year | $ 8,360,198 | $ 2,769,590 | $ 11,129,788 |

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue, Support, and Gains | | | |
| Program service fees | | | |
| MN healthcare programs | $ 11,283,476 | $ - | $ 11,283,476 |
| County service fees | 1,140,330 | - | 1,140,330 |
| Housing subsidies | 2,111,690 | - | 2,111,690 |
| Resident fees | 1,063,893 | - | 1,063,893 |
| Private health insurance and private pay | (12,100) | - | (12,100) |
| Grants | 2,164,496 | - | 2,164,496 |
| Contributions | 337,409 | 1,176,111 | 1,513,520 |
| In-kind contributions | 15,705 | - | 15,705 |
| Debt forgiveness income | 2,015,342 | - | 2,015,342 |
| Gross event sponsorships and ticket revenue | 217,735 | - | 217,735 |
| Less cost of direct benefit to donors | (160,236) | - | (160,236) |
| Net special event revenue | 57,499 | - | 57,499 |
| Net investment loss | (5,520) | - | (5,520) |
| Gain on sale of asset | 215,938 | | 215,938 |
| Change in value of beneficial interest in assets held by others | - | (109,472) | (109,472) |
| Other revenue | 33,438 | - | 33,438 |
| Net assets released from restriction | 1,115,846 | (1,115,846) | - |
| Total revenue, support, and gains | 21,537,442 | (49,207) | 21,488,235 |
| Expenses | | | |
| Program services | 15,513,030 | - | 15,513,030 |
| Supporting services | | | |
| Management and general | 3,150,038 | - | 3,150,038 |
| Fundraising | 807,495 | - | 807,495 |
| Total supporting services | 3,957,533 | - | 3,957,533 |
| Total expenses | 19,470,563 | - | 19,470,563 |
| Change in Net Assets | 2,066,879 | (49,207) | 2,017,672 |
| Net Assets, Beginning of Year | 4,747,791 | 2,139,462 | 6,887,253 |
| Net Assets, End of Year | $ 6,814,670 | $ 2,090,255 | $ 8,904,925 |

| | Program Services | Supporting Services: Management and General | Supporting Services: Fundraising | Supporting Services: Total Supporting Services | Totals |
|---|---|---|---|---|---|
| Salaries | $ 8,755,714 | $ 1,956,544 | $ 454,400 | $ 2,410,944 | $ 11,166,658 |
| Benefits and payroll taxes | 2,363,913 | 562,574 | 130,198 | 692,772 | 3,056,685 |
| | 11,119,627 | 2,519,118 | 584,598 | 3,103,716 | 14,223,343 |
| Client assistance | 2,317,479 | - | 84,902 | 84,902 | 2,402,381 |
| Professional fees | 494,186 | 570,733 | 67,544 | 638,277 | 1,132,463 |
| Occupancy | 516,626 | 121,268 | 20,486 | 141,754 | 658,380 |
| Travel | 189,636 | 6,880 | 14,713 | 21,593 | 211,229 |
| Program and development supplies | 65,806 | 129,561 | 216,796 | 346,357 | 412,163 |
| Telephone | 145,035 | 28,539 | 4,966 | 33,505 | 178,540 |
| Insurance | 103,341 | 27,694 | 4,891 | 32,585 | 135,926 |
| Building and grounds maintenance | 132,027 | 9,034 | 1,400 | 10,434 | 142,461 |
| Equipment rental and maintenance | 12,602 | 2,962 | 352 | 3,314 | 15,916 |
| Food | 73,123 | - | - | - | 73,123 |
| Maintenance supplies | 146,603 | 57,078 | 822 | 57,900 | 204,503 |
| Office supplies | 18,948 | 5,032 | 504 | 5,536 | 24,484 |
| Postage | 8,019 | 2,471 | 2,047 | 4,518 | 12,537 |
| Credit losses | 89,775 | - | - | - | 89,775 |
| Bad debt | - | - | 80,479 | 80,479 | 80,479 |
| Interest | 15,219 | 4,374 | 772 | 5,146 | 20,365 |
| Other | 737 | 34,827 | 18,813 | 53,640 | 54,377 |
| Total expenses before depreciation | 15,448,789 | 3,519,571 | 1,104,085 | 4,623,656 | 20,072,445 |
| Depreciation | 206,684 | 43,086 | 7,609 | 50,695 | 257,379 |
| | 15,655,473 | 3,562,657 | 1,111,694 | 4,674,351 | 20,329,824 |
| Less expenses included with revenues on the statement of activities | | | | | |
| Cost of direct benefit to donors | - | - | (156,137) | (156,137) | (156,137) |
| Total expenses | $ 15,655,473 | $ 3,562,657 | $ 955,557 | $ 4,518,214 | $ 20,173,687 |

| | Program Services | Supporting Services: Management and General | Supporting Services: Fundraising | Supporting Services: Total Supporting Services | Totals |
|---|---|---|---|---|---|
| Salaries | $ 8,335,013 | $ 1,751,854 | $ 411,959 | $ 2,163,813 | $ 10,498,826 |
| Benefits and payroll taxes | 2,362,543 | 566,265 | 109,309 | 675,574 | 3,038,117 |
| | 10,697,556 | 2,318,119 | 521,268 | 2,839,387 | 13,536,943 |
| Client assistance | 2,561,361 | - | 41,226 | 41,226 | 2,602,587 |
| Professional fees | 507,937 | 375,866 | 81,449 | 457,315 | 965,252 |
| Occupancy | 524,536 | 116,291 | 23,102 | 139,393 | 663,929 |
| Travel | 157,711 | 5,758 | 8,555 | 14,313 | 172,024 |
| Program and development supplies | 86,551 | 76,328 | 200,085 | 276,413 | 362,964 |
| Telephone | 135,659 | 23,262 | 3,554 | 26,816 | 162,475 |
| Insurance | 108,495 | 18,480 | 3,126 | 21,606 | 130,101 |
| Building and grounds maintenance | 101,923 | 32,276 | 1,347 | 33,623 | 135,546 |
| Equipment rental and maintenance | 28,355 | 12,446 | 744 | 13,190 | 41,545 |
| Food | 84,411 | 447 | - | 447 | 84,858 |
| Maintenance supplies | 66,269 | 64,553 | 6,379 | 70,932 | 137,201 |
| Office supplies | 25,809 | 7,761 | 684 | 8,445 | 34,254 |
| Postage | 6,779 | 1,707 | 1,438 | 3,145 | 9,924 |
| Bad debt | 210,512 | - | 56,069 | 56,069 | 266,581 |
| Interest | 21,220 | 20,557 | 924 | 21,481 | 42,701 |
| Other | 314 | 37,899 | 17,770 | 55,669 | 55,983 |
| Total expenses before depreciation | 15,325,398 | 3,111,750 | 967,720 | 4,079,470 | 19,404,868 |
| Depreciation | 187,632 | 38,288 | 11 | 38,299 | 225,931 |
| | 15,513,030 | 3,150,038 | 967,731 | 4,117,769 | 19,630,799 |
| Less expenses included with revenues on the statement of activities | | | | | |
| Cost of direct benefit to donors | - | - | (160,236) | (160,236) | (160,236) |
| Total expenses | $ 15,513,030 | $ 3,150,038 | $ 807,495 | $ 3,957,533 | $ 19,470,563 |

| | 2023 | 2022 |
|---|---|---|
| Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities | | |
| Change in net assets | $ 2,224,863 | $ 2,017,672 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents from (used for) operating activities | | |
| Depreciation | 257,379 | 225,931 |
| Realized and unrealized gain on operating investments | (13,186) | - |
| Gain on sale of assets | - | (215,938) |
| Debt forgiveness - PPP loan | - | (2,000,000) |
| Loss on uncollectable promises to give | 80,479 | 56,069 |
| Change in value of beneficial interests in assets held by others | (40,323) | 148,280 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 97,182 | (274,016) |
| Promises to give, net | (455,963) | (262,878) |
| Prepaid expenses and other assets | (52,221) | 6,639 |
| Operating lease assets and liabilities | 59,364 | 64,099 |
| Accounts payable | 20,758 | (4,814) |
| Accrued liabilities | 118,157 | (67,806) |
| Deferred revenue | (17,658) | 12,745 |
| Net Cash from (used for) Operating Activities | 2,278,831 | (294,017) |
| Cash Flows from (used for) Investing Activities | | |
| Proceeds from sale of property and equipment | - | 354,572 |
| Purchases of property and equipment | (32,800) | (55,736) |
| Purchases of operating investments | (1,015,590) | - |
| Net Cash from (used for) Investing Activities | (1,048,390) | 298,836 |
| Cash Flows used for Financing Activities | | |
| Payments on notes payable | (182,088) | (175,091) |
| Net Cash used for Financing Activities | (182,088) | (175,091) |
| Net Change in Cash, Cash Equivalents, and Restricted Cash | 1,048,353 | (170,272) |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year | 5,011,470 | 5,181,742 |
| Cash, Cash Equivalents, and Restricted Cash, End of Year | $ 6,059,823 | $ 5,011,470 |
| Cash and Cash Equivalents | $ 5,745,248 | $ 4,914,620 |
| Restricted Cash | 314,575 | 96,850 |
| Total cash, cash equivalents, and restricted cash | $ 6,059,823 | $ 5,011,470 |

| | 2023 | 2022 |
|---|---|---|
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid for interest | $ 20,365 | $ 27,360 |
| Forgiveness of PPP loan interest | - | 15,342 |
| Cash paid for leases | 484,423 | 479,159 |

## Note 1 - Principal Activity and Significant Accounting Policies

### Organization

Guild (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 and considered restricted cash.

### Restricted Cash

Restricted cash consist of assets with donor-imposed restrictions.

### Receivables and Allowance for Credit Losses

Accounts receivables are uncollateralized, noninterest bearing client and third-party payor obligations. Payments of accounts receivables are allocated to the specific claim identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The Organization reviews accounts receivable balances on a periodic basis and write off delinquent receivables when deemed uncollectable. Management determines the allowance for credit losses based on historical experience and management’s evaluation of outstanding accounts receivable at the end of each year. Unapplied accounts receivables consist of payments collected, not yet applied to accounts receivable balances.

Effective January 1, 2023, the Organization adopted the Accounting Standard Update No. 2016-13, *Financial Instruments – Credit Losses* (*Topic 326*): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. The Organization elected to apply the guidance as of January 1, 2023, the beginning of the adoption period. There were no material changes to the financial statements as a result of this adoption.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables held at December 31, 2023, because the composition of the account receivables at those dates is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its clients and payors and its lending practices have not changed significantly over time). Additionally, management has determined that the current, reasonable, and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2023 and 2022, totaled $85,000, respectively.

Changes in the allowance for credit losses for receivables are as follows for the year then ended December 31, 2023:

| | |
|---|---|
| Allowance for Credit Losses, Beginning of Year | $ 85,000 |
| Provision for credit losses | 89,775 |
| Charge-offs | (89,775) |
| Allowance for Credit Losses, End of Year | $ 85,000 |

**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, 2023 and 2022, the allowance was $40,000 and $30,000, respectively.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**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 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, 2023 and 2022.

**Right of Use Leased Assets and Liabilities**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in our statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date and are based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, a risk-free rate is utilized in lieu of determining an incremental borrowing rate at the commencement date in deciding the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

**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; and 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's 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 (the Foundations), 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 restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed (or grantor) 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 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. The Organization reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

**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's accounts receivable and deferred revenues as of January 1, 2022, were $1,020,904 and $5,732, 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. For the years ended December 31, 2023 and 2022, the Organization received $22,112 and $15,705, respectively, in donated food and food gift cards which the Organization used for its programs.

**Advertising Costs**

Advertising costs are expensed as incurred and approximated $258,000 and $215,000 during the years ended December 31, 2023 and 2022, respectively.

**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, benefits and payroll taxes, professional fees, office supplies, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Organization 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). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization 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.

The Organization 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. The Organization 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.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, the Organization had approximately $5,965,000 and $4,866,000 respectively, in excess of FDIC-insured limits.

**Subsequent Events**

The Organization has evaluated subsequent events through June 6, 2024, the date on which the financial statements were available to be issued.

## 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:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 5,745,248 | $ 4,914,620 |
| Accounts receivable | 1,197,738 | 1,294,920 |
| Promises to give | 514,344 | 491,808 |
| Distributions from beneficial interests held by others | 35,000 | 35,000 |
| | $ 7,492,330 | $ 6,736,348 |

The Organization 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. The Organization has a $500,000 line of credit which provides a very adequate cash reserve that can cover operational emergency needs.

## Note 3 - 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.

A significant portion of investment assets are classified within Level 1 because they comprise money market mutual funds or equity investments with readily determinable fair values based on daily redemption values. The Organization invests in fixed income investments traded in the financial markets. Those fixed income investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The fair value of beneficial interest in assets held by others (the Foundations) is based on the fair value of fund investments as reported by the Foundations. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at December 31, 2023 and 2022:

| | | 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, 2023 | | | | |
| Operating investments | | | | |
| Cash and money market funds (at cost) | $ 11,360 | $ - | $ - | $ - |
| Money market mutual fund | 201,614 | 201,614 | - | - |
| Fixed income | 506,346 | - | 506,346 | - |
| Equity | 309,456 | 309,456 | - | - |
| | $ 1,028,776 | $ 511,070 | $ 506,346 | $ - |
| Beneficial interests in assets held by community foundation | | | | |
| The Saint Paul Foundation | $ 999,311 | $ - | $ - | $ 999,311 |
| The Catholic Community Foundation | 27,536 | - | - | 27,536 |
| The Minneapolis Foundation | 14,139 | - | - | 14,139 |
| | 1,040,986 | - | - | 1,040,986 |
| December 31, 2022 | | | | |
| Beneficial interests in assets held by community foundation | | | | |
| The Saint Paul Foundation | $ 962,651 | $ - | $ - | $ 962,651 |
| The Catholic Community Foundation | 24,650 | - | - | 24,650 |
| The Minneapolis Foundation | 13,362 | - | - | 13,362 |
| | $ 1,000,663 | $ - | $ - | $ 1,000,663 |

During the years ended December 31, 2023 and 2022, there were no amounts transferred in or out of Level 3 of the fair value hierarchy.

## Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Within one year | $ 514,344 | $ 523,308 |
| In one to five years | 944,198 | 510,735 |
| Over five years | 34,808 | 6,199 |
| | $ 1,493,350 | $ 1,040,242 |
| Less discount to net present value at rates ranging from 2.2% to 4.00% | (85,124) | (17,500) |
| Less allowance for uncollectable promises to give | (40,000) | (30,000) |
| Promises to give, net | $ 1,368,226 | $ 992,742 |

At December 31, 2023, one donor accounted for 36% of total promises to give. Two contributors accounted for approximately 29% of total contribution revenue for the year ended December 31, 2023. There were no such concentrations for disclosure for the year ended December 31, 2022.

## Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 263,500 | $ 263,500 |
| Building and property improvements | 1,199,516 | 1,188,914 |
| Leasehold improvement | 1,454,297 | 1,454,297 |
| Furniture, equipment, and vehicles | 1,160,808 | 1,139,066 |
| | 4,078,121 | 4,045,777 |
| Less accumulated depreciation | (2,295,715) | (2,038,792) |
| | $ 1,782,406 | $ 2,006,985 |

Depreciation expense totaled $257,379 and $225,931 for the years ended December 31, 2023 and 2022, respectively.

## Note 6 - Notes Payable

Notes payable consisted of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Note payable to bank, due in monthly installments of $12,898, including interest, through November 2027. The note bears nominal interest at 3.86% and effective interest at 3.93% and is secured by various properties of the Organization. | $ 446,386 | $ 628,474 |

Future maturities of long-term debt are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2024 | $ 137,463 |
| 2025 | 142,908 |
| 2026 | 148,603 |
| 2027 | 17,412 |
| | $ 446,386 |

## Note 7 - Line of Credit

The Organization has a line of credit agreement under which it can borrow up to $500,000 through June 30, 2025, collateralized by substantially all of their assets. The agreement required monthly interest payments at a variable interest rate, defined by the Wall Street Journal Prime Rate plus 0.25% (8.75% and 7.75% at December 31, 2023 and 2022, respectively). There was no balance outstanding on the line of credit at December 31, 2023 and 2022.

## Note 8 - Protection Program (PPP) Loan

For the year ended December 31, 2021, the Organization was granted a $2,000,000 loan under the PPP administered by a Small Business Administration (SBA) approved partner, respectively. The loans were uncollateralized and are fully guaranteed by the Federal government. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization initially recorded a note payable and recognized the forgiveness upon being legally released from the loan obligation by the SBA. Debt forgiveness income has been recorded for the year ended December 31, 2022, of $2,015,342 for the loan received in 2021.

## Note 9 - Leases

The Organization leases certain buildings and office equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2030 and provide for renewal options ranging from one year to 20 years. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization elected the practical expedient to not separate lease and non-lease components for building and office equipment leases.

Total lease costs for the year ended December 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Operating lease cost | $ 542,897 | $ 543,257 |

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

| | 2023 | 2022 |
|---|---|---|
| Weighted-average remaining lease term: | | |
| Operating leases | 12.8 Years | 13.8 Years |
| Weighted-average discount rate: | | |
| Operating leases | 1.62% | 1.62% |

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

| | Operating |
|---|---|
| 2024 | $ 495,354 |
| 2025 | 503,366 |
| 2026 | 506,289 |
| 2027 | 509,740 |
| 2028 | 519,511 |
| Thereafter | 3,900,418 |
| Total lease payments | 6,434,678 |
| Less interest | (644,304) |
| Present value of lease liabilities | $ 5,790,374 |

**Note 10 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

| | 2023 | 2022 |
|---|---|---|
| Subject to the Passage of Time | | |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | $ 1,321,809 | $ 1,024,241 |
| Subject to Expenditure for Specified Purpose | | |
| Capital purchases | 281,340 | 55,844 |
| Workforce investment initiative | 20,000 | - |
| Other | 13,235 | 9,507 |
| Promises to give, the proceeds from which have been restricted by donors for | | |
| Workforce investment initiative | 80,000 | - |
| Community Access | 12,220 | - |
| | 406,795 | 65,351 |
| Perpetual in nature, not subject to spending policy or appropriation | | |
| Beneficial interest in assets held by others | 1,040,986 | 1,000,663 |
| Total net assets with donor restrictions | $ 2,769,590 | $ 2,090,255 |

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:

| | 2023 | 2022 |
|---|---|---|
| Expiration of time restrictions | $ 745,324 | $ 613,026 |
| Satisfaction of purpose restrictions | | |
| Community support | 144,387 | 130,196 |
| Capital projects | 50,000 | 134,620 |
| Shared Housing | - | 22,801 |
| Bash 4 Guild and Ladder for Hope | 155,333 | 134,469 |
| Other | 52,456 | 41,926 |
| | | - |
| Distribution from beneficial interest held by others | 38,387 | 38,808 |
| | $ 1,185,887 | $ 1,115,846 |

## Note 11 - Fundraising Events

Net support provided to the Organization from fundraising events during the years ended December 31, 2023 and 2022, was as follows:

| | 2023 | | |
|---|---|---|---|
| | Ladder of Hope | Bash4Guild | Total |
| Event sponsorships and ticket revenue | $ 140,500 | $ 65,290 | $ 205,790 |
| Event contributions | 421,571 | 90,043 | 511,614 |
| Total contributions and revenue | 562,071 | 155,333 | 717,404 |
| Other direct expenses | 95,706 | 60,431 | 156,137 |
| Net support from special events | $ 466,365 | $ 94,902 | $ 561,267 |

| | 2022 | | |
|---|---|---|---|
| | Ladder of Hope | Bash4Guild | Total |
| Event sponsorships and ticket revenue | $ 142,500 | $ 75,235 | $ 217,735 |
| Event contributions | 512,540 | 59,234 | 571,774 |
| Total contributions and revenue | 655,040 | 134,469 | 789,509 |
| Other direct expenses | 114,864 | 45,372 | 160,236 |
| Net support from special events | $ 540,176 | $ 89,097 | $ 629,273 |

## Note 12 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,000 per quarter. During the year ended December 31, 2023, the Organization recorded a $3,558,419 benefit related to the credit which is presented in the statement of activities as employee retention credit revenue.

## Note 13 - Concentrations and Contingencies

### Accounts Receivable

Approximately 87% and 83% of the balance of accounts receivable was due from the State of Minnesota either directly or through a Managed Care Organization at December 31, 2023 and 2022, respectively.

### Support and Revenue

Approximately 53% and 63% 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, 2023 and 2022, respectively.

### Paycheck Protection Program (PPP) Loan Forgiveness

The Organization applied for and received loan forgiveness from the SBA on its PPP loans in 2022 and 2021. In accordance PPP loan requirements, the Organization is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Organization is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on this review.

**Employer Retention Tax Credits**

The Organization's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

## Note 14 - 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 3% 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, 2023 and 2022, were $177,789 and $195,057, respectively.