

Proof Alliance

Financial Statements

December 31, 2020 and 2019

Proof Alliance

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Independent Auditors' Report

To the Board of Directors of
Proof Alliance

We have audited the accompanying financial statements of Proof Alliance (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2020 and 2019, 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.

Baker Tilly US, LLP

Minneapolis, Minnesota
May 24, 2021

Proof Alliance

Statements of Financial Position
December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Assets | | |
| Cash and cash equivalents | \$ 719,198 | \$ 336,202 |
| Grants and contributions receivable | 429,702 | 782,597 |
| Prepaid expenses | 15,846 | 27,868 |
| Security deposit | 9,854 | 9,854 |
| Equipment and leasehold improvements, net | 181,148 | 179,927 |
| Certificate of deposit | - | 5,520 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,355,748</u> | <u>\$ 1,341,968</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 237,528 | \$ 295,131 |
| Accrued payroll | 47,450 | 17,838 |
| Accrued liabilities | 13,246 | 10,114 |
| Deferred lease liability | 35,917 | 31,113 |
| | <u> </u> | <u> </u> |
| Total liabilities | <u>334,141</u> | <u>354,196</u> |
| Net Assets | | |
| Without donor restrictions | 900,125 | 872,809 |
| With donor restrictions | 121,482 | 114,963 |
| | <u> </u> | <u> </u> |
| Total net assets | <u>1,021,607</u> | <u>987,772</u> |
| | <u> </u> | <u> </u> |
| Total liabilities and net assets | <u>\$ 1,355,748</u> | <u>\$ 1,341,968</u> |

See notes to financial statements

Proof Alliance

Statements of Activities

Years Ended December 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public Support | | | | | | |
| Government grants | \$ 2,159,032 | \$ - | \$ 2,159,032 | \$ 2,532,182 | \$ - | \$ 2,532,182 |
| Contributions and grants | 317,031 | 92,126 | 409,157 | 97,498 | 65,025 | 162,523 |
| In-kind contributions | 39,531 | - | 39,531 | 264,906 | - | 264,906 |
| Special events, net of direct costs of \$44,538 in 2019 | - | - | - | 140,063 | - | 140,063 |
| Return of grant funds | - | (2,944) | (2,944) | - | (49,161) | (49,161) |
| Net assets released from restrictions | 82,663 | (82,663) | - | 277,611 | (277,611) | - |
| Total public support | 2,598,257 | 6,519 | 2,604,776 | 3,312,260 | (261,747) | 3,050,513 |
| Revenue | | | | | | |
| Program fees | 40,626 | - | 40,626 | 45,039 | - | 45,039 |
| Clinical billing | 28,021 | - | 28,021 | 30,086 | - | 30,086 |
| Interest income | 1,012 | - | 1,012 | 3,394 | - | 3,394 |
| PPP loan forgiveness | 180,900 | - | 180,900 | - | - | - |
| Other | 224 | - | 224 | 1,084 | - | 1,084 |
| Total revenue | 250,783 | - | 250,783 | 79,603 | - | 79,603 |
| Total public support and revenue | 2,849,040 | 6,519 | 2,855,559 | 3,391,863 | (261,747) | 3,130,116 |
| Expenses | | | | | | |
| Program | 2,463,013 | - | 2,463,013 | 2,926,239 | - | 2,926,239 |
| Management and general | 188,350 | - | 188,350 | 163,098 | - | 163,098 |
| Development | 170,361 | - | 170,361 | 154,395 | - | 154,395 |
| Total expenses | 2,821,724 | - | 2,821,724 | 3,243,732 | - | 3,243,732 |
| Change in net assets | 27,316 | 6,519 | 33,835 | 148,131 | (261,747) | (113,616) |
| Net Assets, Beginning | 872,809 | 114,963 | 987,772 | 724,678 | 376,710 | 1,101,388 |
| Net Assets, Ending | \$ 900,125 | \$ 121,482 | \$ 1,021,607 | \$ 872,809 | \$ 114,963 | \$ 987,772 |

See notes to financial statements

Proof Alliance

Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

| | 2020 | | | | 2019 | | | |
|-------------------------------------|---------------------|------------------------|----------------|---------------------|---------------------|------------------------|-------------------|---------------------|
| | Program | Management and General | Development | Total | Program | Management and General | Development | Total |
| Salaries and wages | \$ 695,671 | \$ 55,263 | \$ 106,381 | \$ 857,315 | \$ 640,242 | \$ 47,692 | \$ 101,086 | \$ 789,020 |
| Taxes | 57,586 | 4,625 | 8,848 | 71,059 | 52,128 | 3,886 | 8,236 | 64,250 |
| Employee benefits | 101,975 | 8,383 | 15,508 | 125,866 | 100,452 | 9,318 | 9,780 | 119,550 |
| Total salaries and related expenses | 855,232 | 68,271 | 130,737 | 1,054,240 | 792,822 | 60,896 | 119,102 | 972,820 |
| Contracted services | 1,009,006 | 9,145 | 1,558 | 1,019,709 | 1,096,367 | 2,818 | 4,710 | 1,103,895 |
| Professional fees | 35,659 | 87,562 | 7,130 | 130,351 | 34,515 | 73,430 | 2,950 | 110,895 |
| Training and conference | 2,167 | 948 | 3,833 | 6,948 | 62,425 | 2,429 | 7,427 | 72,281 |
| Insurance | 18,460 | 3,281 | 416 | 22,157 | 16,791 | 2,200 | 289 | 19,280 |
| Fees, dues and other | 2,065 | 2,646 | 76 | 4,787 | 954 | 2,031 | 52 | 3,037 |
| Printing | 4,832 | 718 | 7,923 | 13,473 | 14,376 | 1,719 | 2,469 | 18,564 |
| Postage | 1,582 | 524 | 1,209 | 3,315 | 3,196 | 171 | 1,602 | 4,969 |
| Rental/Utilities | 103,243 | 6,023 | 11,552 | 120,818 | 81,459 | 4,400 | 8,598 | 94,457 |
| Supplies | 88,818 | 3,085 | 421 | 92,324 | 122,970 | 4,329 | 1,378 | 128,677 |
| Travel expenses | 4,526 | 409 | 187 | 5,122 | 28,643 | 3,975 | 1,221 | 33,839 |
| Telephone | 11,177 | 591 | 999 | 12,767 | 8,201 | 418 | 822 | 9,441 |
| Equipment rental and maintenance | 11,870 | 576 | 576 | 13,022 | 10,911 | 621 | 466 | 11,998 |
| In-kind expenses | 39,531 | - | - | 39,531 | 264,406 | 500 | - | 264,906 |
| Advertising and promotion | 250,085 | 485 | 40 | 250,610 | 365,180 | - | - | 365,180 |
| Interest expense and bank charges | 31 | 2,453 | 2,089 | 4,573 | 64 | 1,912 | 1,867 | 3,843 |
| Depreciation | 24,084 | 429 | 1,615 | 26,128 | 21,502 | 383 | 1,442 | 23,327 |
| Miscellaneous expense | 645 | 1,204 | - | 1,849 | 1,457 | 866 | - | 2,323 |
| Total expenses | <u>\$ 2,463,013</u> | <u>\$ 188,350</u> | <u>170,361</u> | <u>\$ 2,821,724</u> | <u>\$ 2,926,239</u> | <u>\$ 163,098</u> | <u>\$ 154,395</u> | <u>\$ 3,243,732</u> |

See notes to financial statements

Proof Alliance

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 33,835 | \$ (113,616) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 26,128 | 23,327 |
| Interest income reinvested in certificate of deposit | (15) | (111) |
| Changes in assets and liabilities: | | |
| Grants and contributions receivable | 352,895 | (167,252) |
| Prepaid expenses and security deposits | 12,022 | (11,759) |
| Accounts payable | (57,603) | 19,873 |
| Accrued payroll | 29,612 | (1,843) |
| Accrued liabilities | 3,132 | (1,801) |
| Deferred lease liability | 4,804 | 31,113 |
| | <u>404,810</u> | <u>(222,069)</u> |
| Net cash flows from operating activities | | |
| Cash Flows From Investing Activities | | |
| Proceeds on maturity of certificate of deposit | 5,535 | - |
| Purchase of equipment | <u>(27,349)</u> | <u>(183,112)</u> |
| | | |
| Net cash flows from investing activities | <u>(21,814)</u> | <u>(183,112)</u> |
| | | |
| Net change in cash and cash equivalents | 382,996 | (405,181) |
| Cash and Cash Equivalents, Beginning | <u>336,202</u> | <u>741,383</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 719,198</u> | <u>\$ 336,202</u> |

See notes to financial statements

Proof Alliance

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Activities

In 2020, Proof Alliance (the Organization) continued to advance our mission and vision that we have the proof that Fetal Alcohol Syndrome (FASD) is preventable and that all impacted by FASD can live up to their full potential. Like previous years, Proof Alliance made progress in all of the program areas including diagnosis, family support, community grants, public awareness and professional education and training. Proof Alliance has a dual role in the state by both preventing prenatal exposure to alcohol, as well as providing support and guidance to individuals with an FASD and their families. As a result of this dual role, Proof Alliance intersects with a wide variety of partners, agencies and community groups who can impact the mission of the Organization.

Unlike previous years, however, in March 2020, our staff began working remotely due to the COVID-19 pandemic and recalibrated how we delivered our programs to maintain our commitment to the communities that we serve. We continued training, support groups and social engagements in the virtual world that required not only adjustments to our day-to-day work, it also allowed staff and our stakeholders to maintain continuity of service. Most importantly, it did not stop our FASD awareness movement throughout the state of Minnesota.

Reaching professionals in Minnesota who are providing services and supports to people living with an FASD as well as women who are pregnant or may be pregnant is a priority of the Organization. One of the highlights of 2020 was the 9th Annual Conference ProofCon 2020: FASD in a New Era, which was a completely virtual conference. Additionally, trainings were held virtually for educators, social service providers, probation officers, medical doctors, nurses and other allied health professionals. Providing high quality training is an important component of the work accomplished in 2020.

Proof Alliance has taken the lead in creating more capacity for individuals to be evaluated and potentially diagnosed for a FASD. Due to the pandemic and government orders, the Proof Alliance clinic was not seeing patients in-person for the 2nd quarter of 2020. But, by July of 2020, with all recommended safety measures in place, the clinic reopened to in-person appointments. Telemedicine appointments were incorporated in the 2nd quarter and have been used in addition to the in-person ones throughout 2020. Additionally, Proof Alliance worked closely with a network of diagnostic providers across the state through the FASD Diagnostic Consortium. Proof Alliance also continued our role of being a training provider on FASD diagnosis by partnering with the University of Minnesota to have pediatric residents rotate through our clinic.

The goals of the community grants program include increasing early identification of children with an FASD by incorporating screening into standard protocols and increasing access to employment services for individuals with an FASD. The grant program also funds culturally specific programming in American Indian and African American communities, legal advocacy for students with an FASD, programs that provided family support and opportunities for young adults with an FASD to learn and practice social and life skills. Additionally, the prevention/public awareness grants reached across the state to large and small communities with the prevention message. One of the prevention grant efforts specifically reaches out to women with alcohol and substance use disorders to provide community resources, tool and supports for the women to become and remain sober while having alcohol-free pregnancies. Many events and grant activities were moved to be virtually in 2020, while others had to be cancelled or reimaged due to the limitations of in-person gathering. The community grant program reaches communities all across the state.

Supporting individuals with an FASD and their families and caregivers is a core component of the work that was accomplished at Proof Alliance in 2020. The network of family engagement staff provided support to caregivers across the state. In-person events were moved to virtual, if possible or reimaged as activities that could be done virtually. Other events were held with a reduced in-person gathering amount so as to maintain safety protocols. Caregivers participated in more one-on-one work with the family support staff and this support was offered to birth, foster, adoptive and kinship caregivers.

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Finally, the outreach and education to childbearing aged women is a priority at Proof Alliance. A variety of tools are used to reach women who are pregnant and women who could be pregnant. Proof Alliance coordinates community based grants to agencies who are working to share the prevention message. Since large community events were cancelled in 2020, our prevention messaging moved online to target people in their child-bearing ages. Social media campaigns were developed and implemented to spread the prevention messages and multi-media tools were created to make the messages eye-catching. We continued to send out free educational brochures and other unique tools such as window clings and lip balms across the state. Looking at the bigger picture of how we can impact healthy pregnancy outcomes virtually and during a pandemic have been front and center in the prevention work conducted this year. In order to prevent prenatal exposure to alcohol it has been determined that we must broaden our message to reach childbearing aged women before they become pregnant.

Systemic change in preventing and treating FASD in Minnesota can only be achieved with sustained, consistent and comprehensive programs that impact every part of the state and all citizens. As we continue to carefully navigate this new world and work to find new ways to achieve our outcomes, we are more certain than ever that our work to support all pregnancies to be alcohol-free and all people living with an FASD and their caregivers is vital to all communities across the state.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of the federally insured limits and similar insurance coverages are subject to the usual banking risks of funds in excess of those limits.

Grants and Contributions Receivable

Receivables are stated at net realizable value. The Organization believes that all amounts receivable are fully collectible and all are due within one year; therefore an allowance for doubtful accounts or discount on the receivable with terms extending beyond one year is not recorded. Receivables are generally unsecured.

Certificate of Deposit

The Organization deposited cash related to a restricted gift into a certificate of deposit which matured in 2020 and accrued interest monthly. The certificate of deposit was recorded at amortized cost, which approximated fair value and was donor restricted to support families participating in the Organization's programs.

Equipment and Leasehold Improvements, Net

Equipment and leasehold improvements purchased with nongrantor funds are capitalized at cost. Donated equipment is capitalized at market value on the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Proof Alliance capitalizes additions in excess of \$5,000. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from Proof Alliance's accounts. If the retirements or disposals result in gains or losses, these are recorded as income in the statements of activities.

For equipment purchased with government funds, the grantor retains title to all equipment acquired under its contracts with the Organization. Therefore, property and equipment purchases are recorded as expense when acquired. There were \$16,425 and \$24,735 of such purchases for the years ended December 31, 2020 and 2019, respectively.

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In 2019, Proof Alliance paid \$183,112 for leasehold improvements in their new office space and website redesign. The new space and website are specifically designed to maximize our capacity to serve our clients. Leasehold improvements will be amortized over the life of the lease.

Net Assets

For purposes of financial reporting, the Organization classifies resources into two net asset categories pursuant to any donor imposed restrictions and applicable law. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor imposed stipulations that will be met by action of the Organization and/or the passage of time.

Revenue Recognition

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. The Organization recognizes revenues from program fees and clinical billings during the year in which related services are provided. Clinical billings revenue is reported net of contractual adjustments and amounts due from third-party payers for services rendered. 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. Special events revenue is presented, net of direct event expenses.

Unconditional contributions, including irrevocable promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the barriers have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$8,034,000 that has not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

Contributions of materials and services are recognized if the materials and services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Professional materials and services of \$39,531 and \$264,906 were donated in the years ended December 31, 2020 and December 31, 2019, respectively.

A substantial number of volunteers have made significant contributions of their time for the daily operation of Proof Alliance. The value of these services is not recorded in the financial statements because they do not meet the accounting requirements to be recorded.

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Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, unrelated business income may be subject to taxation.

Accounting principles generally accepted in the United States of America requires the Organization to evaluate positions taken and recognize a tax liability (or asset) if they have taken an uncertain position that more likely than not would not be sustained upon examination by applicable tax authorities. Management has analyzed tax positions taken by the Organization and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress.

Advertising

Advertising costs are charged to operations when incurred.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations of expenses for salaries and related expenses, rental expenses and facilities expenses are based on management's best estimates of time and effort.

Estimates

The preparation of 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 and disclosure of contingent 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.

Recent Accounting Pronouncement Not Yet Effective

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for years beginning after December 15, 2021 (calendar year 2022). Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this new standard will have on its financial statements.

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Notes to Financial Statements
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3. Liquidity and Availability

The following table reflects the Organization's financial assets as of December 31 2020 and 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year or donor restricted assets whose restrictions are not met in one year. Other financial assets that are excluded from this measure of liquidity include grants and contributions receivable due in over one year and certificate of deposit with a maturity in excess of one year.

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 719,198 | \$ 336,202 |
| Grants and contributions receivable | 429,702 | 782,597 |
| Certificate of deposit | - | 5,520 |
| | <u>1,148,900</u> | <u>1,124,319</u> |
| Financial assets at December 31 | | |
| Less those unavailable for general expenditure within one year: | | |
| Certificate of deposit | - | - |
| | <u>-</u> | <u>-</u> |
| Financial assets not available for expenditure within one year | | |
| | <u>-</u> | <u>-</u> |
| Financial assets available to meet cash needs for general purposes within one year | <u>\$ 1,148,900</u> | <u>\$ 1,124,319</u> |

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 90 days of operating expense coverage at any point in time.

Cash in excess of daily requirements is typically invested in short-term, liquid securities. The Organization has a \$75,000 line of credit that can be drawn down if needed to cover operating expenses. See Note 9.

4. Equipment and Leasehold Improvements, Net

Equipment and leasehold improvements at December 31, 2020 and 2019 are summarized as follows:

| | <u>Depreciable Lives</u> | <u>2020</u> | <u>2019</u> |
|--|------------------------------|-------------------|-------------------|
| Leasehold improvements | 10 years | \$ 95,918 | \$ 95,918 |
| Furniture and equipment/website | 3 - 7 Years | 154,828 | 127,478 |
| | | <u>250,746</u> | <u>223,396</u> |
| Total equipment and leasehold improvements | | | |
| Less accumulated depreciation | | <u>(69,598)</u> | <u>(43,469)</u> |
| Equipment and leasehold improvements, net | | <u>\$ 181,148</u> | <u>\$ 179,927</u> |

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Notes to Financial Statements
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5. Net Assets

Net assets with donor restrictions at December 31 are composed of:

| | <u>2020</u> | <u>2019</u> |
|---------------------|-------------|-------------|
| Timing restrictions | \$ 121,482 | \$ 114,963 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were reclassified to net assets without donor restrictions for operations and programs.

6. Concentrations

Government grant revenue for 2020 and 2019 resulted principally from one contract with the Minnesota Department of Health (MDH). The current grant agreement will expire in June 2024. Receivables from MDH at December 31, 2020 and 2019 include approximately \$258,000 and \$507,000, respectively, for services performed in November and December of 2020 and October, November and December of 2019, respectively.

7. Operating Leases

The Organization leases office space, storage space, a copier and postage machine. The leases are accounted for as operating leases. In January, 2019, the Organization signed an office space lease at a new location. The lease requires monthly payments ranging from \$5,549 to \$7,103 per month and expires in October 2029. The various equipment leases expire at various dates through September 2021.

Future minimum operating lease payments as of December 31, 2020 are as follows:

| | |
|---------------------------|-------------------|
| Years ending December 31: | |
| 2021 | \$ 71,352 |
| 2022 | 72,477 |
| 2023 | 74,251 |
| 2024 | 75,320 |
| 2025 | 76,434 |
| Thereafter | <u>311,123</u> |
| | <u>\$ 680,957</u> |

Office space and equipment rent expense on the operating leases was \$124,625 and \$97,031 for the years ended December 31, 2020 and 2019, respectively.

8. Retirement Plan

For employees meeting certain eligibility requirements, the Organization contributes 3 percent of the employee's gross wages or the amount of their personal contribution, whichever is less, to their Simple IRA. The Organization's match amounts were \$20,649 and \$19,416 in 2020 and 2019, respectively.

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Notes to Financial Statements
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9. Line of Credit

The Organization has a \$75,000 revolving line of credit with Bremer Bank that expires at December 31, 2021. The line of credit is secured by all assets of the Organization. Borrowings bear interest at the bank's prime lending rate plus 1.00 percent over the index (rate on issue date was 4.5 percent). However, under no circumstances will the total rate fall below 5.00 percent. There were no outstanding borrowings at December 31, 2020 and 2019.

10. Paycheck Protection Program (PPP) Loan

On April 17, 2020, the Organization entered into a new unsecured loan facility with Bremer Bank, National Association under the recent government-enacted Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by the Small Business Administration (SBA). The Organization borrowed \$180,900 under the loan facility. The loan carried a fixed interest rate of 1 percent and was scheduled to mature on April 17, 2022. Loans under the PPP have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a twenty-four week period commencing on the date of the loan. On December 9, 2020, the loan and interest were forgiven. As such, the PPP loan proceeds of \$180,900 were recorded as loan forgiveness revenue in the accompanying statement of activities for the year ended December 31, 2020.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

11. Commitments and Contingencies

From time to time, the Organization is subject to various legal matters in the normal course of business. The outcome of these matters is not expected to have a material effect on the Organization's financial position.

The Organization received contributions from board members totaling \$68,020 and \$44,792 for the years ended December 31, 2020 and 2019, respectively. During 2019, the entire Board of Directors participated in supporting through giving.

12. Subsequent Events

Subsequent to year end, the Organization received a notice from the IRS regarding the submission of the 2019 Federal Form 990. The IRS notice includes penalties totaling \$29,100 for filing the Federal Form 990 after the due date. The Organization has submitted a response to the IRS, including documentation to support that the Federal Form 990 was sent to the IRS via USPS prior to the due date and has requested that the penalties be waived.

The Organization has evaluated subsequent events through May 24, 2021 which is the date that the financial statements were approved and available to be issued.