MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mount Olivet Rolling Acres, Inc.
Chanhassen, Minnesota

We have audited the accompanying consolidated financial statements of Mount Olivet Rolling Acres, Inc. (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated 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 Corporation'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 consolidated financial statements.

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

Board of Directors
Mount Olivet Rolling Acres, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Olivet Rolling Acres, Inc. as of December 31, 2019 and 2018, and their change in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 14, 2020

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,278,710	$ 1,472,937
Resident Funds	126,228	130,464
Accounts Receivable	2,165,368	1,705,492
Contributions Receivable	7,165	8,660
Prepaid Expenses	59,280	78,985
Total Current Assets	5,636,751	3,396,538
NONCURRENT ASSETS		
Property and Equipment, Net	7,734,437	7,417,107
Investments	1,889,296	1,588,627
Total Noncurrent Assets	9,623,733	9,005,734
Total Assets	$ 15,260,484	$ 12,402,272
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 347,462	$ 327,633
Accounts Payable	1,679,686	997,477
Due to Residents	126,228	130,464
Accrued Payroll and Paid Personal Leave	1,315,376	1,202,157
Other Accrued Expenses and Deferred Revenue	3,493,915	2,769,178
Total Current Liabilities	6,962,667	5,426,909
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Maturities	2,529,700	2,667,934
Total Liabilities	9,492,367	8,094,843
NET ASSETS		
Without Donor Restrictions	5,686,244	4,239,189
With Donor Restrictions	81,873	68,240
Total Net Assets	5,768,117	4,307,429
Total Liabilities and Net Assets	$ 15,260,484	$ 12,402,272

See accompanying Notes to Consolidated Financial Statements.

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE						
Resident Services	$ 14,970,106	$ -	$ 14,970,106	$ 13,558,407	$ -	$ 13,558,407
Resident Services - Prior Year Modification	(798)	-	(798)	(35,068)	-	(35,068)
Other Community Services	19,610,208	-	19,610,208	16,926,213	-	16,926,213
Investment Income (Loss)	330,832	17,410	348,242	(30,772)	(2,452)	(33,224)
Rental Income	89,840	-	89,840	87,840	-	87,840
Total Revenue	35,000,188	17,410	35,017,598	30,506,620	(2,452)	30,504,168
SUPPORT						
Contributions	445,187	-	445,187	436,608	-	436,608
Special Activities	163,610	-	163,610	141,166	-	141,166
Appropriation and Reclassification of Endowment Funds and Net Assets	3,777	(3,777)	-	3,574	(3,574)	-
Total Support	612,574	(3,777)	608,797	581,348	(3,574)	577,774
Total Revenue and Support	35,612,762	13,633	35,626,395	31,087,968	(6,026)	31,081,942
EXPENSES						
Program Operating Costs	25,782,196	-	25,782,196	23,210,865	-	23,210,865
Maintenance Operating Costs - Dietary	578,876	-	578,876	558,248	-	558,248
Maintenance Operating Costs - Housekeeping, Laundry, Plant Operations, and Maintenance	1,029,371	-	1,029,371	1,049,743	-	1,049,743
Special Operating Costs	105,237	-	105,237	89,689	-	89,689
Administrative Operating Costs	2,215,689	-	2,215,689	2,109,385	-	2,109,385
Payroll Taxes and Fringe Benefits	3,008,220	-	3,008,220	2,624,300	-	2,624,300
Property and Related Costs	1,446,118	-	1,446,118	1,377,066	-	1,377,066
Total Expenses	34,165,707	-	34,165,707	31,019,296	-	31,019,296
CHANGE IN NET ASSETS	1,447,055	13,633	1,460,688	68,672	(6,026)	62,646
Net Assets - Beginning of Year	4,239,189	68,240	4,307,429	4,170,517	74,266	4,244,783
NET ASSETS - END OF YEAR	$ 5,686,244	$ 81,873	$ 5,768,117	$ 4,239,189	$ 68,240	$ 4,307,429

See accompanying Notes to Consolidated Financial Statements.

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			
	Program	Management and General	Fundraising	Total Expenses
Salaries and Benefits	$ 14,403,713	$ 1,696,422	$ 58	$ 16,100,193
Payroll Taxes	966,975	103,742	4	1,070,721
Professional Fees	280,384	256,598	79,049	616,031
Program Supplies and Services	12,139,651	-	-	12,139,651
Marketing	-	17,008	11,482	28,490
Office Expenses	312,097	531,665	3,882	847,644
Rent	736,722	265,969	-	1,002,691
Travel	267,531	20,186	-	287,717
Interest	128,531	5,085	1,119	134,735
Depreciation and Amortization	647,581	101,069	-	748,650
Insurance	224,879	31,688	-	256,567
Food	549,589	8,598	-	558,187
Repairs and Maintenance	228,563	15,187	-	243,750
Other	72,075	34,004	24,601	130,680
Total	$ 30,958,291	$ 3,087,221	$ 120,195	$ 34,165,707

	2018			
	Program	Management and General	Fundraising	Total Expenses
Salaries and Benefits	$ 12,905,314	$ 1,551,045	$ 12,184	$ 14,468,543
Payroll Taxes	859,414	88,924	763	949,101
Professional Fees	276,288	244,315	76,369	596,972
Program Supplies and Services	10,940,141	-	-	10,940,141
Marketing	-	14,498	13,443	27,941
Office Expenses	349,087	533,389	3,911	886,387
Rent	693,819	269,621	177	963,617
Travel	248,303	27,549	-	275,852
Interest	112,460	5,439	643	118,542
Depreciation and Amortization	605,029	94,966	-	699,995
Insurance	177,983	30,079	116	208,178
Food	529,001	8,499	-	537,500
Repairs and Maintenance	235,447	11,575	-	247,022
Other	58,946	19,108	21,451	99,505
Total	$ 27,991,232	$ 2,899,007	$ 129,057	$ 31,019,296

See accompanying Notes to Consolidated Financial Statements.

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,460,688	$ 62,646
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	748,650	699,995
Unrealized and Realized Loss (Gain) on Investments	(298,781)	78,585
Loss on Disposal of Assets	1,458	6,526
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(459,876)	(183,213)
Contributions Receivable	1,495	60,742
Prepaid Expenses	19,705	60,738
Accounts Payable	682,209	342,607
Accrued Payroll and Paid Personal Leave	113,219	261,115
Other Accrued Expenses and Deferred Revenue	724,737	490,198
Net Cash Provided by Operating Activities	2,993,504	1,879,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Redemption of Investments	41,840	-
Purchases and Transfers of Property and Equipment	(1,067,438)	(738,602)
Purchases of Investments	(43,728)	-
Net Cash Used by Investing Activities	(1,069,326)	(738,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from and Acquisitions of Long-Term Debt	-	600,000
Principal Payments on Long-Term Debt	(118,405)	(924,369)
Net Cash Used by Financing Activities	(118,405)	(324,369)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,805,773	816,968
Cash and Cash Equivalents - Beginning of Year	1,472,937	655,969
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,278,710	$ 1,472,937
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 139,328	$ 125,467
Property, Plant, and Equipment Acquired by Debt	$ 227,614	$ 782,572

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Mount Olivet Rolling Acres, Inc. (a nonprofit corporation) (the Corporation) operates a long-term healthcare facility located in Victoria, Minnesota, along with 31 residential service programs located in the Minneapolis/St. Paul metropolitan area, a seven-county crisis support service group, and other community support services. Revenue is derived primarily from program support services, which are funded by federal, state, and county government agencies, along with residential services for room and board.

During 2015, the Corporation formed two subsidiaries, which have been consolidated on these financial statements. Mount Olivet Rolling Acres Foundation, LLC, is a single member LLC with the Corporation being the only member. The principal purpose of Mount Olivet Rolling Acres Foundation, LLC is to be the legal entity that owns the mutual funds and stocks of the Corporation. The second subsidiary formed in 2015 is Care Properties, LLC, a single member LLC with Mount Olivet Rolling Acres Foundation, LLC being the only member. The principal purpose of Care Properties, LLC is to own residential housing which can then be rented to individuals that may receive program services from the Corporation. The operations of these two subsidiaries have been consolidated on these financial statements.

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to a nonprofit corporation. The more significant accounting policies of the Corporation are described below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Mount Olivet Rolling Acres, Inc. and the Foundation (collectively, the “Corporation”). All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The Corporation prepares its consolidated financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Net assets and revenues, support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Corporation and changes therein are classified into the following two categories:

Without Donor Restrictions – Those resources over which the board of directors has discretionary control and are not subject to donor-imposed restrictions.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Corporation or passage of time, or may be required to be held in perpetuity.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Corporation has elected to present donor restricted contributions, which are fulfilled in the same period, within the without donor restrictions net asset class.

Cash and Cash Equivalents

The Corporation considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. From time to time, the Corporation may have deposits at one commercial bank in excess of the limits guaranteed by the Federal Deposit Insurance Corporation (FDIC). While this represents an uninsured risk, management periodically evaluates the financial viability of the financial institutions to determine if any changes are warranted.

Resident Funds and Amounts Due to Residents

The Corporation receives and holds personal funds of residents in a fiduciary relationship whereby the Corporation is obligated to return the funds and earnings on the funds.

Third-Party Agreements and Accounts Receivable

The Corporation participates in the Medical Assistance Program which is administered by the Minnesota Department of Human Services. The Victoria campus, the Mackenthun Lane Facility, and the Jan View Facility are funded under a program labeled ICF/DD. The majority of the other facilities and programs are funded under programs labeled as DD Waivered. Payment rates are based on either historical facility costs or individual specific rates that are negotiated with the applicable government agency. Once established, rates can be adjusted by the state legislature as either a percentage increase or decrease.

Revenue which includes Resident Services and Other Community services, is initially recorded at contractual rates established under third-party agreements. The Corporation analyzes their receivables for possible losses on existing receivables that may become uncollectible. Management takes into consideration factors such as the collectibility of the accounts, prior loss experience, current economic conditions, and the age of the receivable balance. An account is considered uncollectible when all collection efforts have failed. At December 31, 2019 and 2018, the management believes accounts receivable are fully collectible. The Corporation's accounts receivable are secured assets.

Property and Equipment

Property and equipment are recorded at cost or fair market value at the time of acquisition, and dispositions are accounted for when they occur. Depreciation is provided on the straight-line method over the estimated useful life of the asset. It is the policy of the Corporation to expense any capital asset with a cost of $1,000 or less.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in publicly traded securities are stated at quoted market value. Investments in cooperatives, for which no such quoted market values are available, are carried at fair value as estimated by management using valuations provided by the Cooperatives. The Corporation's investment objective is conservative by nature, with a goal to increase the rate of return without increasing the risk of loss of principal. Gains on investments are classified as without donor restrictions unless there are donor restrictions, in which case it would be classified as with donor restrictions.

The Corporation has authorized the board of Mount Olivet Lutheran Church Foundation (MOLCF) to invest assets through the MOLCF in the name of the Corporation. The fair value of these assets, in the amounts of $1,879,320 and $1,578,902, are included on the consolidated statements of financial position as of December 31, 2019 and 2018, respectively.

Contributions

Contributions are considered to be available for without donor restrictions unless specifically restricted by the donor or designated by the board of directors. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as with donor restrictions support that increases those net asset classes. Restricted contributions upon which restrictions are satisfied within the current year are treated as without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed Services and Assets

The Corporation recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. Contributed assets are recorded at the estimated fair market value at the date of receipt.

Functional Allocation of Expenses

Expenses are allocated based on personnel time and space utilized. Certain administrative operating costs have been allocated among the main campus, community homes, and community services based on actual expenses per department. Program expenses fall under the following program categories:

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

- MCCP – Provides transitional support and crisis services for children and adults with developmental and other disabilities, as well as other community support services.
- Case Management Services – Provides contracted case management services to individuals as directed by Hennepin County.
- Other Services – Provides care and lodging for individuals with developmental and other disabilities in pleasant, safe suburban neighborhoods, including the Intermediate Care Facility (ICF/MR) group homes at our Victoria Campus and Supported Living Services (SLS) care is provided in four-person, single family community homes along with multi-bed facilities throughout Hennepin, Carver, and Scott counties.

Income Taxes

The Corporation is exempt from federal and state income taxes under Internal Revenue Code § 501(c)(3). The Corporation is subject to tax on income from any unrelated business.

The Corporation has adopted the income tax standard for uncertain tax positions. No liability was recognized by the Corporation as a result of the implementation of this standard. The Corporation files as a tax-exempt organization. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

Use of Estimates

The preparation of consolidated financial statements, in conformity with GAAP, 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the consolidated statements of financial position, for which an estimated value is practicable. Certain financial instruments and all nonfinancial instruments are excluded from the standard’s disclosure requirements. For all financial instruments other than investments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. Investments are carried at fair value or estimated fair value.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The Corporation follows accounting standards that define fair value, establish a framework for measuring fair value in accordance with existing GAAP, and expand disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes inputs according to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level inputs are defined as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

Line of Credit

The Corporation entered into a line of credit agreement with Klein Bank in July 21, 2017 which originally expired August 1, 2018. On August 1, 2018, the agreement was extended through August 1, 2020. This agreement allows the Corporation to borrow up to $500,000 with interest accruing at 0.25% over the index which was 5.50% at December 31, 2019. The line of credit is secured by the Corporation's equipment and account receivable and no amount was outstanding at December 31, 2019 and 2018.

The Corporation entered into another line of credit agreement with Klein Bank in July 21, 2017 which originally expired August 1, 2018. On August 1, 2018, the agreement was extended through August 1, 2020. This agreement allows the Corporation to borrow up to $1,000,000 with interest accruing at 0.25% over the index which was 5.50% at December 31, 2019. The line of credit is secured by seven residential properties owned by the Corporation. No amount was outstanding on the line of credit at December 31, 2019 and 2018.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Principle

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Corporation's financial statements reflect the application of ASU 2018-08 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 did not impact the Corporation's reported revenue.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted a full retrospective approach to the ASU. The adoption of ASU 2014-09 did not impact the Corporation's reported revenue.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform classifications used in 2019. There was no effect on net assets previously reported.

Subsequent Events

Subsequent events have been evaluated by management through May 14, 2020, which is the date the consolidated financial statements were issued.

NOTE 2 INVESTMENTS

Investment balances consist of the following at December 31:

	2019	2018
S&P 500 Stock Fund	$ 1,154,071	$ 911,696
Bond Index Fund	724,249	666,206
Investment in Cooperatives	10,976	10,725
Total	$ 1,889,296	$ 1,588,627

Net investment returns as of December 31 consist of the following:

	2019	2018
Interest and Dividend Income	$ 49,461	$ 45,361
Net Realized and Unrealized Investment Gains (Losses)	298,781	(78,585)
Total	$ 348,242	$ (33,224)

NOTE 3 FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy, the Corporation's investments at fair value as of December 31:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
S&P 500 Stock Fund	$ 1,154,071	$ -	$ -	$ 1,154,071
Bond Index Fund	724,249	-	-	724,249
Investment in Cooperatives	-	-	10,976	10,976
Total	$ 1,878,320	$ -	$ 10,976	$ 1,889,296

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
S&P 500 Stock Fund	$ 911,696	$ -	$ -	$ 911,696
Bond Index Fund	666,206	-	-	666,206
Investment in Cooperatives	-	-	10,725	10,725
Total	$ 1,577,902	$ -	$ 10,725	$ 1,588,627

Fair value for Level 1 is based upon quoted prices in active markets. Fair value for Level 3 investments, which consist primarily of investments in electrical cooperatives, is estimated by management using valuation information provided by the cooperatives.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Corporation's Level 3 assets, which consist of investments in cooperatives as of December 31:

	2019	2018
Balance, Beginning of Year	$ 10,725	$ 10,973
Change in Valuation	251	(248)
Balance, End of Year	$ 10,976	$ 10,725

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment along with their respective useful lives consisted of the following at December 31:

	2019	2018	Useful Lives in Years
Land	$ 1,790,365	$ 1,790,365	
Buildings and Building Improvements	11,848,496	11,214,093	5 - 27.5
Furniture, Fixtures, and Equipment	984,947	867,283	3 - 10
Paving and Improvements	693,414	641,999	5 - 20
Fences	87,973	86,113	7 - 20
Software	280,110	280,110	7
Transportation Equipment	1,563,596	1,417,681	4
Total Property and Equipment	17,248,901	16,297,644	
Accumulated Depreciation	(9,514,464)	(8,880,537)	
Total Property and Equipment, Net	$ 7,734,437	$ 7,417,107	

NOTE 5 LONG-TERM DEBT

Long-term debt, together with the security thereon, consisted of the following at December 31:

Description	2019	2018
Minnesota Agricultural and Economic Development Board Revenue Bonds Series 2010, dated March 30, 2010 for $1,250,000 to refinance notes. Principal and interest are payable to Klein Bank in equal monthly installments of $9,233 on the last day of each month until March 31, 2025. The interest rate is 4.050%, readjusting March 2020 using a formula specified in the loan agreement. The bond is secured by the Victoria healthcare facility property.	$ 523,061	$ 610,842
In 2016, three property loans in the amount of $746,400 was taken out to purchase properties, which secure the loan. Principal and interest on the loans are payable to Klein Bank through 2021 and bear rates of 4.500%.	609,443	649,508
1601 Property mortgage dated September 19, 2012 for $232,500 to purchase property. Principal and interest on this note shall be payable to Klein Bank in equal monthly installments of $1,741 with the balance due on September 19, 2017. The rate of this note is 4.125%. Effective September 19, 2017, the note was extended to September 19, 2027 with monthly installments of $1,827. The rate of the extended note is 5.0% The note is secured by the property purchased.	140,880	155,264
Erie Avenue Property mortgage dated July 10, 2017 for $263,920 to purchase property. Principal and interest on this note shall be payable to Klein Bank in equal monthly installments of $2,095 with the balance due on July 1, 2022. The rate of this note is 5.0%. The note is secured by the property purchased.	233,430	246,443
Westgate Property mortgage dated May 10, 2017 for $230,400 to purchase property. Principal and interest on this note shall be payable to Klein Bank in equal monthly installments of $1,829 with the balance due on May 1, 2022. The rate of this note is 5.0%. The note is secured by the property purchased.	201,848	213,304

NOTE 5 LONG-TERM DEBT (CONTINUED)

Description	2019	2018
Sherwood House property mortgage of $106,250 assumed in August 2014 with the receipt of the property. Principal payments of $1,250 are due monthly through September 2021. The rate of this mortgage is 0.000% and is secured by the property acquired.	$ 26,250	$ 41,250
56th Street Edina property mortgage for $264,400 dated December 15, 2015. Principal and interest on this note shall be payable in equal monthly installments of $1,602 with the balance due on December 10, 2035. The rate of this note is 4.000%. The note is secured by the property purchased.	226,944	236,876
In 2015, six vehicle loans totaling $171,322 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2019 and bear rates of 4.000%.	-	23,857
In 2016, seven vehicle loans totaling $201,392 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2021 and bear rates ranging from 4.250%-4.500%.	44,658	79,343
In 2018, four vehicle loans totaling $158,459 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2023 and bear rates ranging from 4.000%-5.500%.	88,483	137,926
Brenden Pond property mortgage for $368,000 dated October 24, 2018. Principal and interest on this note shall be payable in equal monthly installments of $3,073 with the balance due on October 24, 2023. The rate of this note is 5.7500%. The note is secured by the property purchased.	349,447	365,435

NOTE 5 LONG-TERM DEBT (CONTINUED)

Description	2019	2018
Andover property mortgage of $272,000 dated May 21, 2018. Principal and interest on this note shall be payable in equal monthly installments of $2,234 with the balance due on May 21, 2023. The rate of this note is 5.5000%. The note is secured by the property purchased.	$ 252,820	$ 265,159
In 2019, six vehicle loans totaling $227,614 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2024 and bear rates ranging from 4.100%-5.500%.	204,799	-
Total	2,902,063	3,025,207
Less: Current Portion	347,462	327,633
Less: Unamortized Issuance Costs, Net	24,901	29,640
Long-Term Debt	$ 2,529,700	$ 2,667,934

Principal payments over each of the next five years and thereafter on the long-term debt obligations are as follows:

Year Ending December 31,	Amount
2020	$ 347,462
2021	852,479
2022	602,459
2023	677,777
2024	166,622
Thereafter	255,264
Total	$ 2,902,063

Interest expense on the Corporation's long-term debt, which is included in property and related costs on the consolidated statements of activities, totaled $134,735 and $118,542 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

As of December 31, the Corporation's net assets with donor restrictions were allocated as follows:

	2019	2018
Accumulated Earnings on Endowment Funds	$ 33,272	$ 19,639
Invested in Perpetuity	48,601	48,601
Total	$ 81,873	$ 68,240

NOTE 7 ENDOWMENT FUNDS

The Corporation's endowment funds consists of donor established funds for the ongoing support of the Corporation. As required by GAAP, net assets associated with donor established endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Corporation follows UPMIFA. UPMIFA governs an institution such as the Corporation's, management and investment of endowment funds. The board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment funds that is not retained in perpetuity is appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds
2. The purposes of the Corporation and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Corporation
7. The investment policies of the Corporation

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters, and Strategies

The Corporation has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Corporation expects its endowment assets, over time, to produce an average rate of return in excess of 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment funds; investment assets, and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

Spending Policy

The Corporation has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value of the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Corporation considered the long-term expected return on its investment assets, the nature, and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Corporation expects the current spending policy to allow its endowment funds to grow at a nominal rate annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment Funds Net Assets/Surplus

Changes in endowment funds net assets for the years ended December 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2018	$ -	$ 74,266	$ 74,266
Net Depreciation	-	(2,452)	(2,452)
Reclassification and Appropriation for Expenses	-	(3,574)	(3,574)
Endowment Net Assets, December 31, 2018	-	68,240	68,240
Investment Income	-	1,841	1,841
Net Appreciation	-	15,569	15,569
Reclassification and Appropriation for Expenses	-	(3,777)	(3,777)
Endowment Net Assets, December 31, 2019	$ -	$ 81,873	$ 81,873

NOTE 8 DUE TO (FROM) AFFILIATED ORGANIZATIONS

The total amount due to (from) affiliated organizations consists of noninterest bearing advances to organizations related via common management for contributions collected, insurance, and investment and development management. The total amount due to/from affiliated organizations included in accounts payable as of December 31 was as follows:

	2019	2018
Mount Olivet Lutheran Church	$ (3,373)	$ (2,316)
Mount Olivet Careview	27,944	11,327
Total	$ 24,571	$ 9,011

NOTE 9 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Corporation leases various office equipment under operating leases expiring through November 2020. The leases require monthly payments ranging from $545 to $2,243. Lease expense charged to property and related costs on the operating leases was $36,843 and $43,098 for the years ended December 31, 2019 and 2018, respectively.

In January 1998, the Corporation entered into an agreement to lease residential property through October 2004. The lease agreement was renewed in 2019 and extended through December 2022 and requires monthly payments of $2,850.

In January 2000, the Corporation entered into an agreement to lease residential property through January 2008. The lease agreement was extended in 2017 and ended January 2019.

During 2015, a new agreement was entered into that increased the amount of commercial property space being rented, along with extending the terms of the agreement to run through November 30, 2023. The lease calls for monthly base rent ranging from $17,153 to $20,097 plus a proportionate share of common area expenses to be paid on the first of each month.

In July 2014, the Corporation entered into an agreement to lease residential property through July 2016. The lease agreement was extended in 2018 and expired in January 2019.

Office and residential lease expense for the years ended December 31, 2019 and 2018 totaled $513,411 and $498,025, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases (Continued)

The minimum future lease payments for each of the next five years on the operating leases are as follows:

Year Ending December 31,	Amount
2020	$ 284,124
2021	306,184
2022	306,730
2023	249,623
2024	13,458
Total	$ 1,160,119

NOTE 10 ECONOMIC DEPENDENCY

The Corporation obtains a substantial portion of its revenue from the state of Minnesota and the seven metropolitan counties of Minneapolis/St. Paul. Revenues generated from these contracts totaled $34,357,566 and $30,095,256 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 PENSION PLAN

The Corporation participates in a tax-deferred investment plan under §403(b) of the Internal Revenue Code. The plan covers all employees that meet certain age and length of service requirements. Employer matching contributions to the plan are made at rates between 2% and 4% of each participant's eligible compensation depending on the hours and years of service the employee provided that the participating employee contributes 1% to 4% of their compensation through a salary reduction agreement. For the years ended December 31, 2019 and 2018, the amount of the employer matching contribution was $188,272 and $184,517, respectively. The amount is included in payroll taxes and fringe benefits on the consolidated financial statements.

NOTE 12 METRO CRISIS COORDINATION PROGRAM ACCRUED EXPENSES

The Corporation provides a variety of services to individuals through a contract with Hennepin County and a Cooperative Agreement with Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The contract provides for payments to cover both direct and indirect costs associated with the program, in addition to a 2% fee. Payments are accelerated to cover annual county target goals. The excess of payments over costs incurred, and the service fee, are applied to the counties' subsequent year obligation. As of December 31, 2019 and 2018, the excess, included in other accrued expenses and deferred revenue, totaled $3,447,000 and $2,725,279, respectively.

NOTE 13 REVENUE

The following table shows the Corporation's revenue disaggregated according to the timing of goods or services:

	2019	2018
Revenue Recognized over Time:		
Resident Services - SLS Revenue	$ 9,336,294	$ 9,109,534
Resident Services - ICF Revenue	4,458,582	3,279,527
Resident Services - Room and Board Revenue	1,157,918	1,118,300
Other Community Services - Crisis Beds Revenue	2,947,116	1,991,385
Other Community Services - CCM Revenue	3,580,493	2,096,860
Other Community Services - MCCP Revenue	13,082,599	12,846,896
Rental and Transport Revenue	106,354	94,890
Total Revenue	$ 34,669,356	$ 30,537,392

The Corporation did not have any revenue recognized at point in time.

NOTE 14 CONTRACT LIABILITY

The Corporation's contract liabilities consist of:

	2019	2018
Other Community Services - MCCP Contract	$ 3,295,033	$ 2,725,279

NOTE 15 LIQUIDITY DISCLOSURE

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As of December 31, 2019 and 2018, the following assets could be made readily available within one year to meet general expenditures:

		2019		2018
Cash and Cash Equivalents		$ 3,278,710		$ 1,472,937
Accounts Receivable		2,165,368		1,705,492
Contribution Receivable		7,165		8,660
Investments	$ 1,878,320		$ 1,577,902	
Less: Portion with Donor Restrictions	(81,873)		(68,240)	
Investments Available within One Year		1,796,447		1,509,662
Total		$ 7,247,690		$ 4,696,751

NOTE 16 SUBSEQUENT EVENT

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. Future revenues and expenses of the Corporation are uncertain due to this pandemic. Additionally, during the period from January 1, 2020, through May 14, 2020, the equity markets have experienced large declines. As of May 14, 2020, the amount and likelihood of losses relating to both these events and investments are not determined.