AUTISM OPPORTUNITIES FOUNDATION
DBA: MINNESOTA AUTISM CENTER

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended March 31, 2018 and 2017

AUTISM OPPORTUNITIES FOUNDATION
DBA: MINNESOTA AUTISM CENTER

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Autism Opportunities Foundation DBA: Minnesota Autism Center
Minnetonka, Minnesota

We have audited the accompanying financial statements of Autism Opportunities Foundation DBA: Minnesota Autism Center (the "Organization"), which comprise the statements of financial position as of March 31, 2018 and 2017, 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 audits 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 March 31, 2018 and 2017, 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 Virchow Krause, LLP

Minneapolis, Minnesota
July 25, 2018

AUTISM OPPORTUNITIES FOUNDATION
DBA: MINNESOTA AUTISM CENTER

STATEMENTS OF FINANCIAL POSITION
As of March 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 6,350,768	$ 8,378,514
Accounts receivable, net	3,151,821	3,182,422
Prepaid expenses	476,832	427,578
Total Current Assets	9,979,421	11,988,514
INVESTMENTS	1,637,146	1,562,890
PROPERTY AND EQUIPMENT, NET	25,507,347	16,183,306
TOTAL ASSETS	$ 37,123,914	$ 29,734,710

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Capital lease obligations, current	$ 78,957	$ 57,784
Bond payable, current	338,888	241,431
Accounts payable	88,315	87,126
Construction payable	-	118,299
Accrued expenses		
Salaries and benefits	1,323,325	1,308,252
MinnesotaCare tax	129,496	122,003
Other accrued expenses	341,275	278,945
Deferred revenue	11,500	-
Total Current Liabilities	2,311,756	2,213,840
NON-CURRENT LIABILITIES		
Capital lease obligations, net of current portion	315,407	198,711
Long-term debt, net of current portion	11,741,887	7,957,398
Total Non-Current Liabilities	12,057,294	8,156,109
Total Liabilities	14,369,050	10,369,949
NET ASSETS		
Unrestricted	22,754,864	19,364,761
Total Net Assets	22,754,864	19,364,761
TOTAL LIABILITIES AND NET ASSETS	$ 37,123,914	$ 29,734,710

See accompanying notes to financial statements.

AUTISM OPPORTUNITIES FOUNDATION
DBA: MINNESOTA AUTISM CENTER

STATEMENTS OF ACTIVITIES
For the Years Ended March 31, 2018 and 2017

	2018	2017
REVENUE, GAINS AND OTHER SUPPORT		
Net program service revenue	$ 29,843,982	$ 28,839,431
Unrestricted gifts and grants	284,161	200,299
Investment income, net	81,345	90,203
Other	422	1,153
Net assets released from restrictions	-	65,000
Total Revenue, Gains and Other Support	30,209,910	29,196,086
EXPENSES		
Program services	23,510,079	22,000,239
Management and general	3,283,679	3,361,900
Fundraising	26,049	16,865
Total Expenses	26,819,807	25,379,004
CHANGE IN UNRESTRICTED NET ASSETS	3,390,103	3,817,082
REVENUE, GAINS AND OTHER SUPPORT		
Net assets released from restrictions	-	(65,000)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	(65,000)
TOTAL CHANGE IN NET ASSETS	3,390,103	3,752,082
NET ASSETS - Beginning of Year	19,364,761	15,612,679
NET ASSETS - END OF YEAR	$ 22,754,864	$ 19,364,761

See accompanying notes to financial statements.

AUTISM OPPORTUNITIES FOUNDATION
DBA: MINNESOTA AUTISM CENTER

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended March 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 15,661,624	$ 1,390,785	$ -	$ 17,052,409	$ 15,052,437	$ 1,401,725	$ -	$ 16,454,162
Payroll taxes	1,147,372	101,889	-	1,249,261	1,086,053	101,136	-	1,187,189
Employee benefits	1,090,992	96,882	-	1,187,874	1,112,262	103,577	-	1,215,839
Office and equipment rent	1,498,185	274,815	-	1,773,000	1,519,770	217,835	-	1,737,605
Insurance	132,819	17,370	-	150,189	113,693	12,503	-	126,196
Professional fees	18,269	636,621	-	654,890	35,923	659,093	-	695,016
MinnesotaCare tax	593,692	-	-	593,692	550,552	-	-	550,552
Real estate taxes	206,003	-	-	206,003	168,928	-	-	168,928
Other taxes	12	-	-	12	-	186	-	186
Office expense	654,145	382,859	-	1,037,004	602,598	350,251	-	952,849
Conferences, meetings, seminars	3,225	19,351	-	22,576	4,177	12,588	-	16,765
Workers' compensation insurance	652,925	57,981	-	710,906	354,604	33,022	-	387,626
Telephone	16,920	81,375	-	98,295	18,618	93,406	-	112,024
Provision for bad debts	-	35,691	-	35,691	-	207,272	-	207,272
Depreciation and amortization	908,000	50,296	-	958,296	601,261	26,674	-	627,935
Recruitment	9	93,424	-	93,433	-	56,896	-	56,896
Advertising/Promotion	-	12,304	-	12,304	-	21,867	-	21,867
Interest	262,657	485	-	263,142	223,445	4,806	-	228,251
Repairs and maintenance	662,895	20,881	-	683,776	555,004	44,359	-	599,363
Licenses and dues	335	10,670	-	11,005	914	14,704	-	15,618
Fundraising event(s) expense	-	-	26,049	26,049	-	-	16,865	16,865
Total Expenses	$ 23,510,079	$ 3,283,679	$ 26,049	$ 26,819,807	$ 22,000,239	$ 3,361,900	$ 16,865	$ 25,379,004

See accompanying notes to financial statements.

AUTISM OPPORTUNITIES FOUNDATION
DBA: MINNESOTA AUTISM CENTER

STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,390,103	$ 3,752,082
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	958,296	627,935
Provision for bad debts	35,691	207,272
Gain on disposal of capital lease	-	(17,953)
Realized and unrealized (gains) losses on investments	(32,255)	(37,905)
Changes in other operating activities:		
Accounts receivable	(5,090)	(646,044)
Prepaid expenses	(49,254)	(75,957)
Accounts payable	1,189	(92,289)
Accrued expenses	84,896	192,911
Deferred revenue	11,500	-
Net cash provided by operating activities	4,395,076	3,910,052
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,081,253)	(1,320,640)
Proceeds from sale of investments	2,039,252	278,813
Purchases of property and equipment	(6,077,012)	(1,303,967)
Net cash used in investing activities	(6,119,013)	(2,345,794)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(62,609)	(42,347)
Principal payments on long-term debt	(241,200)	-
Net cash used in financing activities	(303,809)	(42,347)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,027,746)	1,521,911
CASH AND CASH EQUIVALENTS - Beginning of Year	8,378,514	6,856,603
CASH AND CASH EQUIVALENTS - End of Year	$ 6,350,768	$ 8,378,514
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest, net of amounts capitalized	$ 263,142	$ 92,289
NONCASH INVESTING AND FINANCING ACTIVITIES		
Payment of construction in progress and construction payable through issuance of revenue bonds	$ 4,085,435	$ 5,736,773
Capitalized interest paid through issuance of revenue bonds	$ -	$ 59,944
Purchase of property and equipment through issuance of capital lease	$ 200,478	$ 81,194
Purchase of construction in progress through accounts payable	$ -	$ 118,299
Payment of debt issue costs through issuance of revenue bonds	$ 144,088	$ -

See accompanying notes to financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Autism Opportunities Foundation dba: Minnesota Autism Center (the Organization) was founded by parents of children with autism, who recognized the institutional and social discrimination faced by children diagnosed with Autism Spectrum Disorder (ASD). The Organization's programs are based on the premise that those diagnosed with autism are people first and autism is only part of who they are.

The Organization provides therapeutic support for children, adolescents and families affected by ASD. For over 18 years, the Organization has been the leader in providing quality therapy services to the autism community. The Organization is devoted to continue expansion and maintaining its reputation as the most experienced organization effectively addressing autism.

The Organization's programs are based on the principles of Applied Behavioral Analysis (ABA). Therapy is provided by highly trained professionals on an individualized basis, with the goal of reducing and eliminating the signs and symptoms of autism. The Organization is committed to providing quality structured behavioral intervention in order to reduce future supplemental support. The Organization currently serves children and adolescents ages 2 to 21 throughout the State of Minnesota in a variety of programs. In addition to one-on-one individualized therapy and instruction with the child or adolescent, the Organization emphasizes the importance of education and provides training to promote family unity.

The Organization's activities are directed by a team of highly trained and experienced Mental Health Professionals, which include Doctorate Level Psychologists, Masters Level Professionals, Licensed Social Workers, Licensed Marriage and Family Therapists and Licensed Professional Clinical Counselors. Each therapy program is implemented by a team of Mental Health Practitioners consisting of a Clinical Supervisor, with overall responsibility for designing therapy methods; a Lead Therapist who manages and translates the individual treatment plan (ITP) into specific therapeutic procedures; and several Behavioral Therapists who implement the plan with the child or adolescent and family. Total therapy hours vary from a minimum of 15 up to 40 hours depending on the individual child's or adolescent's needs. Program data is collected and analyzed to assess progress and therapeutic effectiveness. The input of parents and caregivers regarding their child's or adolescent's goals is an essential component to the therapy process.

Basis of Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

Use of 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 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.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets include all assets, liabilities, and related revenues and expenses arising from the operations of the Organization, which are not subject to any donor restrictions. These net assets include both board-designated and undesignated amounts.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of uncollected long-term pledges receivable and unexpended amounts that may be used only after a specified date or only for a specified purpose or both. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Permanently restricted net assets consist of gifts and pledges whose principal balance is required by the donor to remain intact in perpetuity.

As of March 31, 2018 and 2017, the Organization had no temporarily restricted or permanently restricted net assets. For the year ended March 31, 2017, net assets of $65,000 were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long-term investment, with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents are concentrated in a limited number of financial institutions and amounts in excess of federally insured limits and similar coverages are subject to the usual risks of balances in excess of those limits.

Investments

Investments include those funds that the Organization considers available for operations and are separate from cash and cash equivalents. Investments are carried at fair value, which is determined using quoted market prices. Investment income or loss and unrealized gains or losses are included in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or by law.

Accounts Receivable

Accounts receivable are uncollateralized client and third-party payer obligations. Payments of receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The Organization does not charge interest on its accounts receivable.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

The carrying amount of receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from clients and third-party payers. Management reviews receivables by payer class to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from clients due to bad debts. After management has used exhaustive collection efforts, receivable balances are written off through a charge to provision for bad debts. At March 31, 2018 and 2017, an allowance for uncollectible receivables was estimated at $3,049 and $32,758, respectively.

The Organization grants credit without collateral to its clients, most of who are covered under third-party payer agreements. The mix of receivables from third-party payers and clients at March 31, 2018 and 2017 were as follows:

	2018	2017
Medicaid	74.1%	72.9%
Other Commercial Payers	25.9%	27.1%
Total	100.0%	100.0%

The following is a summary of the allowance for doubtful accounts related to program service revenue at December 31:

Allowance for Uncollectible Accounts	Balance at Beginning of Year	Provision for Uncollectible Accounts	Accounts Written Off, net of recoveries	Balance at End of Year
2018	$ 32,758	$ 35,691	$ (65,400)	$ 3,049
2017	24,916	207,272	(199,430)	32,758

Net Program Service Revenue

Net program service revenue consists of gross charges for services provided to clients less deductions for estimated provisions for contractual adjustments (on services provided to enrollees of Medicaid and other third-party payer programs), uninsured discounts, bad debts, and other administrative adjustments. Contractual adjustments arising from various reimbursement arrangements with third-party payers are accrued on an estimated basis in the period in which the services are rendered.

The Organization has agreements with third-party payers (principally Medicaid and commercial insurance carriers) that provide for payments to the Organization at amounts different from its established rates. A significant portion of the Organization’s operating revenues is derived from these third-party payer programs. Medicaid rates are based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Organization’s clinical assessment of its clients.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net program services revenues are derived from the following payer sources:

	2018	2017
Medicaid	77.0%	80.0%
Other Commercial Payers	23.0%	20.0%
Total	100.0%	100.0%

Unrestricted Gifts and Grants

Unrestricted gifts and grants are recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled.

Property and Equipment

Property and equipment acquisitions in excess of $1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset or the lease term for leasehold improvements and is computed on the straight-line method over the following estimated useful lives:

Buildings	39 Years
Leasehold Improvements	2 - 5 Years
Computers and Equipment	3 - 5 Years
Furniture and Fixtures	5 - 7 Years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the assets with expected net cash flows expected to be provided by the use and eventual disposition of the asset. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would determine whether an impairment loss should be recognized. An impairment loss would be based on the fair value utilizing a discounted cash flows approach or the use of independent third party appraisals to estimate fair value. No impairment losses were recorded in fiscal 2018 and 2017.

Advertising Costs

The Organization expenses advertising costs as incurred of $12,304 and $21,867 for the years ended March 31, 2018 and 2017, respectively.

NOTE 1 - Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Foundation has been classified as a publicly supported charitable organization under Section 509(A)(1) of the Code and charitable contributions are deductible by donors.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of March 31, 2018 and 2017. The Organization's tax returns are subject to review and examination by federal and state authorities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and services benefitted. Allocations are made largely based on actual time allocations prepared by the Organization's employees.

MN Care Tax

The Organization has recorded and pays quarterly the MN Care Tax representing 2% of all Medicaid and non-Medicaid receipts. The Organization has recorded $593,692 and $550,552 for the years ended March 31, 2018 and 2017, respectively.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2018. The Organization has not yet determined the impact of the adoption of ASU No. 2014-09 on its financial statements.

In February 2016, FASB issued ASU No 2016-02, Leases. ASU 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the statement of financial position as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Organization is assessing the effect this standard will have on its financial statements.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this new standard will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU No. 2018-08 was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments to this Update should assist entities in (1) evaluating whether transactions should be accounting 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. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The Organization is assessing the impact this new standard will have on its financial statements.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on previously reported net assets, changes in net assets or changes in cash flows for the year ended March 31, 2017.

NOTE 2 - INVESTMENTS

The Organization's investments at March 31, 2018 and 2017 consist of the following:

	2018	2017
Cash and cash equivalents	$ 15,090	$ 23,227
Fixed income mutual funds	1,251,430	1,203,515
Equity mutual funds	370,626	336,148
Total	$ 1,637,146	$ 1,562,890

Investment income consists of the following for the years ended March 31:

	2018	2017
Interest and dividend income	$ 61,076	$ 62,979
Realized and unrealized gains and (losses)	32,255	37,905
Less: Investment fees	(11,986)	(10,681)
Total	$ 81,345	$ 90,203

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 1 investments include mutual funds for which quoted prices are readily available.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include the reporting entity's own data.

There have been no changes in the techniques and inputs used as of March 31, 2018 and 2017.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of March 31, 2018 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Investments at Fair Value
Fixed income mutual funds	$ 1,251,430	$ -	$ -	$ 1,251,430
Mutual funds – equities	370,626	-	-	370,626
Total investments at fair value	$ 1,622,056	$ -	$ -	$ 1,622,056

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of March 31, 2017 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Investments at Fair Value
Fixed income mutual funds	$ 1,203,515	$ -	$ -	$ 1,203,515
Mutual funds – equities	336,148	-	-	336,148
Total investments at fair value	$ 1,539,663	$ -	$ -	$ 1,539,663

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 2018 and 2017 is as follows:

	2018		2017	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 1,966,822	$ -	$ 1,268,581	$ -
Buildings	23,170,833	1,018,785	14,083,039	515,442
Leasehold improvements	687,861	444,961	577,648	325,203
Computers and equipment	873,649	307,039	536,820	181,398
Furniture and fixtures	1,128,158	549,191	925,556	377,347
Construction in progress	-	-	191,052	-
Total	$ 27,827,323	2,319,976	$ 17,582,696	1,399,390
Net property and equipment		$ 25,507,347		$ 16,183,306

Construction in progress at March 31, 2017 relates to the Organization's construction of a new Skills Development Center (SDC) facility in Eagan and new therapy center in Duluth. The total amount the organization has committed for the two projects is approximately $9,400,000. These projects were completed in November and December of 2017, respectively.

NOTE 5 - CAPITAL LEASE OBLIGATIONS

The Organization has entered into a capital lease agreement for eighteen copiers. The lease payments are recorded as interest expense and principal reduction. At March 31, 2018 and 2017, the total capitalized cost of equipment under the organization's capital lease was $499,319 and $298,841, respectively with accumulated amortization at March 31, 2018 and 2017 of $114,618 and $44,826, respectively.

Capital lease obligations consist of the following at March 31:

	2018	2017
Present value of minimum lease payments	$ 394,364	$ 256,495
Less: Current portion	(78,957)	(57,784)
Noncurrent portion	$ 315,407	$ 198,711

NOTE 5 - CAPITAL LEASE OBLIGATIONS (Continued)

Future minimum lease commitments under the capital lease consist of the following:

Year Ending March 31	Amount
2019	$ 88,446
2020	88,446
2021	88,446
2022	66,335
Total	420,120
Less: Amount representing interest	(25,756)
Present value of minimum lease payments	$ 394,364

NOTE 6 – LONG-TERM DEBT

On November 1, 2015, the Organization entered into financing and continuing covenant agreements (the 2015 Agreements) with Wells Fargo Bank, N.A. relating to the issuance of $8,800,000, of which $8,800,000 was advanced to the Organization, of Educational Facilities Revenue Bonds (2015 Revenue Bonds) issued by the City of Hugo, MN. The maturity date of the Revenue Bonds is June 1, 2037, with periodic principal and interest payments to be made in accordance with a redemption schedule as prescribed by the Agreements. The Revenue Bonds bear a fixed interest rate of 2.64%. The Agreements include debt covenants that stipulate that the Organization maintain a specified debt coverage ratio, day's cash on hand and a controlled account.

On July 10, 2017, the Organization entered into financing and continuing covenant agreements (the Agreements) with Wells Fargo Bank, N.A. relating to the issuance of $4,923,750, of which $4,229,522 was advanced to the Organization, of Therapy Facilities Revenue Bonds (Revenue Bonds) issued by the City of Hugo, MN. The maturity date of the Revenue Bonds is January 1, 2039, with periodic principal and interest payments to be made in accordance with a redemption schedule as prescribed by the Agreements. The Revenue Bonds bear a fixed interest rate of 2.64%. The Agreements include debt covenants that stipulate that the Organization maintain a specified debt coverage ratio, days cash on hand and a controlled account.

On April 2, 2018 Federal Tax Reform resulted in a rate adjustment on both bond issuances. The rate was adjusted to 3.08707% for the Series 2015 Bond and to 3.2086% for the Series 2017 Bond. The amortization of the bonds was adjusted accordingly for future periods.

Long term debt was comprised of the following as of March 31:

	2018	2017
Educational Facilities Revenue Bond	$ 8,089,673	$ 8,330,872
Therapy Facilities Revenue Bond	4,229,522	-
Total Long-term debt	12,319,195	8,330,872
Less: Debt issuance costs, net of accumulated amortization of $69,583 and $31,872, respectively	(238,420)	(132,043)
Total Long-term debt	12,080,775	8,198,829
Less: Bond payable, current	(338,888)	(241,431)
Long-term debt, net of current portion	$ 11,741,887	$ 7,957,398

NOTE 6 – LONG-TERM DEBT (Continued)

Anticipated principal payments on long-term debt are as follows:

Year Ending March 31:	
2019	$ 338,888
2020	472,809
2021	490,896
2022	505,660
2023	521,924
Thereafter	9,989,018
Total	$ 12,319,195

NOTE 7 - OPERATING LEASES

The Organization conducts its operations in leased facilities under non-cancelable operating leases expiring through March 31, 2024. The terms of the facility leases include a provision for abatement of rent for the first four to six months of the lease. Rent expense is prorated over the term of the facility leases and expensed as incurred.

Future minimum lease commitments under the operating leases are as follows:

Year Ending March 31	Amount
2019	$ 1,577,412
2020	1,351,351
2021	832,252
2022	356,924
2023	330,232
2024	120,186
Total	$ 4,568,357

Rent expense charged to operations, which includes the related real estate taxes, on all operating leases during the years ended March 31, 2018 and 2017 amounted to $1,904,917 and $1,843,340, respectively.

NOTE 8 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan covering all employees meeting certain eligibility requirements. Organization contributions are voluntary and at the discretion of the board of directors. Contributions of $263,961 and $258,293 were made to the plan by the Organization during the years ended March 31, 2018 and 2017, respectively.

NOTE 9 - LINE OF CREDIT

The Organization has a $900,000 line of credit available from a bank. The line of credit has a maturity date of July 28, 2018. The line of credit bears interest at a variable rate and is collateralized by all assets of the Organization. At March 31, 2018 and 2017, no amounts were outstanding on line of credit.

NOTE 10 - CONTINGENCIES

The Organization is subject to numerous laws and regulations of state governments. Compliance with these laws and regulations, specifically those relating to the Medicaid program, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations by ASD providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from resident services. Management believes that it is in substantial compliance with current laws and regulations.

The Organization is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the Organization.

NOTE 11 - SUBSEQUENT EVENT

The Organization has evaluated events and transactions for potential recognition or disclosure through July 25, 2018, which is the date the financial statements were approved and available to be issued.