Autism Opportunities Foundation
DBA: Minnesota Autism Center

Financial Statements

March 31, 2020 and 2019

Autism Opportunities Foundation DBA Minnesota Autism Center

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Independent Auditors' Report

To the Board of Directors of
Autism Opportunities Foundation DBA: Minnesota Autism Center

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, 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 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, 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 Virchow Krause, LLP

Minneapolis, Minnesota
July 28, 2020

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Financial Position
March 31, 2020 and 2019

	2020	2019
Current Assets		
Cash and cash equivalents	$ 4,999,807	$ 7,307,346
Accounts receivable, net	3,002,563	2,350,181
Prepaid expenses	448,699	520,604
Total current assets	8,451,069	10,178,131
Investments	1,638,890	1,689,893
Property Held for Sale	9,120,000	-
Property and Equipment, Net	14,179,572	24,844,187
Other Assets	221,420	216,237
Total assets	$ 33,610,951	$ 36,928,448
Current Liabilities		
Capital lease obligations, current	$ 74,199	$ 69,803
Bond payable, current	490,896	472,644
Accounts payable	76,887	135,135
Accrued expenses:		
Salaries and benefits	1,084,852	1,209,015
MinnesotaCare tax	3,790	101,189
Other	97,002	107,356
Deferred rent	149,885	171,745
Total current liabilities	1,977,511	2,266,887
Non-Current Liabilities		
Capital lease obligations, net of current portion	221,516	295,715
Long-term debt, net of current portion	10,866,181	11,313,078
Other liabilities	221,420	216,237
Total non-current liabilities	11,309,117	11,825,030
Total liabilities	13,286,628	14,091,917
Net Assets		
Without donor restrictions	20,324,323	22,836,531
Total net assets	20,324,323	22,836,531
Total liabilities and net assets	$ 33,610,951	$ 36,928,448

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Activities
March 31, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Net program service revenue	$ 23,256,690	$ 27,206,492
Gifts and grants	155,826	121,529
Investment (loss) income, net	(12,596)	87,225
Other	-	22,774
Total revenue, gains and other support	23,399,920	27,438,020
Expenses		
Program services	22,055,269	23,182,182
Management and general	3,799,139	4,155,072
Fundraising	57,720	19,099
Total expenses	25,912,128	27,356,353
Change in net assets without donor restrictions	(2,512,208)	81,667
Net Assets Without Donor Restrictions, Beginning	22,836,531	22,754,864
Net Assets Without Donor Restrictions, Ending	$ 20,324,323	$ 22,836,531

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Functional Expenses
March 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 13,927,373	$ 1,699,145	$ -	$ 15,626,518	$ 15,226,794	$ 2,078,747	$ -	$ 17,305,541
Payroll taxes	1,017,140	120,027	-	1,137,167	1,113,716	152,043	-	1,265,759
Employee benefits	1,090,633	134,108	-	1,224,741	1,198,062	163,558	-	1,361,620
Office and equipment rent	1,773,249	220,942	-	1,994,191	1,541,561	301,401	-	1,842,962
Insurance	93,964	11,368	-	105,332	138,255	20,677	-	158,932
Professional fees	59,716	641,263	-	700,979	55,349	783,075	-	838,424
MinnesotaCare tax	247,316	-	-	247,316	555,635	-	-	555,635
Real estate taxes	204,388	-	-	204,388	171,932	-	-	171,932
Other taxes	-	5,785	-	5,785	8,795	-	-	8,795
Facility expense	639,005	244,269	-	883,274	642,821	217,730	-	860,551
Conferences, meetings, seminars	-	8,293	-	8,293	2,667	10,288	-	12,955
Workers' compensation insurance	270,952	33,056	-	304,008	357,141	48,757	-	405,898
Telephone	3,439	58,574	-	62,013	2,480	65,457	-	67,937
Provision for bad debts	-	13,896	-	13,896	-	41,450	-	41,450
Depreciation and amortization	919,913	201,251	-	1,121,164	1,056,583	127,476	-	1,184,059
Recruitment	7,114	317,466	-	324,580	-	85,715	-	85,715
Advertising/Promotion	-	56,856	-	56,856	-	15,930	-	15,930
Interest	390,871	2,726	-	393,597	397,135	1,645	-	398,780
Repairs and maintenance	621,776	20,082	-	641,858	713,165	30,053	-	743,218
Licenses and dues	-	10,032	-	10,032	91	11,070	-	11,161
Fundraising event(s) expense	-	-	57,720	57,720	-	-	19,099	19,099
Impairment on property held for sale	788,420	-	-	788,420	-	-	-	-
Total expenses	$ 22,055,269	$ 3,799,139	$ 57,720	$ 25,912,128	$ 23,182,182	$ 4,155,072	$ 19,099	$ 27,356,353

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Cash Flows
March 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ (2,512,208)	$ 81,667
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,121,164	1,184,059
Provision for bad debts	13,896	41,450
Gain on disposal of capital lease	-	(22,443)
Impairment on property held for sale	788,420	
Realized and unrealized gains on investments	63,163	(26,261)
Changes in other operating activities:		
Accounts receivable	(666,278)	760,190
Prepaid expenses	71,905	(43,772)
Accounts payable	(58,248)	46,820
Accrued expenses	(231,916)	(184,708)
Other liabilities	5,183	216,237
Deferred rent and deferred gifts	(21,860)	(31,583)
Net cash (used in) provided by operating activities	(1,426,779)	2,021,656
Cash Flows From Investing Activities		
Purchases of investments	(272,264)	(70,296)
Purchases of deferred compensation investments	(21,354)	(216,237)
Proceeds from sale of investments	276,275	43,810
Purchases of property and equipment	(320,969)	(415,492)
Net cash used in investing activities	(338,312)	(658,215)
Cash Flows From Financing Activities		
Payments on capital lease obligations	(69,803)	(67,810)
Principal payments on long-term debt	(472,645)	(339,053)
Net cash used in financing activities	(542,448)	(406,863)
Increase (decrease) in cash and cash equivalents	(2,307,539)	956,578
Cash and Cash Equivalents, Beginning	7,307,346	6,350,768
Cash and Cash Equivalents, Ending	$ 4,999,807	$ 7,307,346
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 393,596	$ 398,782
Non-Cash Investing and Financing Activities		
Purchase of property and equipment through issuance of capital lease	$ -	$ 387,853

See notes to financial statements

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 20 years, the Organization has been a leader in providing quality therapy services to the autism community. The Organization is devoted to continued 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 provides group interactions and 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 Program Coordinator 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.

Net Asset Classifications

Contributions received are recorded as an increase in net assets without donor restriction or net assets with donor restrictions, 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:

Net Assets Without Donor Restriction - Net assets without donor restriction 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.

Net Assets With Donor Restrictions - Net assets with donor restrictions 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, these assets will be reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Certain net assets with donor restriction may consist of gifts and pledges whose principal balance is required by the donor to remain intact in perpetuity. At March 31, 2020 and 2019, the Organization had no net assets with donor restrictions.

The Organization's Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. At March 31, 2020 and 2019, the Organization had no board-designated net assets.

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 net assets without donor restrictions 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.

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, 2020 and 2019, an allowance for uncollectible receivables was estimated at $15,000 and $1,947, 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 were as follows:

	2020	2019
Medicaid	54 %	76 %
Other commercial payers	46	24
Total	100 %	100 %

The following is a summary of the allowance for doubtful accounts related to program service revenue at March 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
2020	$ 1,947	$ 13,896	$ (843)	$ 15,000
2019	$ 3,049	$ 41,450	$ (42,552)	$ 1,947

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.

Gifts and Grants

Unconditional promises to give are recognized in the period the promises are made. Conditional promises to give, that is those with a measurable performance or other barrier(s) and a right of return or release from future obligations, are not recognized until the conditions on which they depend are met. If donor-imposed restrictions accompany the contribution, the amount is recorded as net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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:

	Years
Buildings	39
Leasehold improvements	2 - 5
Computers and equipment	3 - 5
Furniture and fixtures	5 - 7

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to net assets without donor restrictions 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 net assets with donor restrictions. 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 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. In fiscal year 2020, impairment expense of $1,168,420 was recorded in connection with certain property held for sale; see Note 5. No impairment losses were recorded in fiscal year 2019.

Advertising Costs

The Organization expenses advertising costs as incurred of $56,856 and $15,930 for the years ended March 31, 2020 and 2019, respectively.

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, 2020 and 2019. 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 such as salaries, facilities expense, and other utilities and professional fees 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. Effective October 1, 2019, payments for services provided as part of the Children’s Therapeutic Services and Support package are no longer taxable. The Organization has recorded $247,316 and $555,635 for the years ended March 31, 2020 and 2019, 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 adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2019. The Organization is currently assessing the effect this standard will have on its financial statements.

In February 2016, FASB issued ASU No 2016-02, *Leases*. ASU No. 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, 2021, 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 currently assessing the effect this standard will have on its financial statements.

New Accounting Pronouncements Adopted in Current Year

In June 2018, 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*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for contributions received during annual periods beginning after December 15, 2019 and contributions made during annual periods beginning after December 15, 2020. This change did not have an impact on the Organization’s financial statements.

2. Liquidity and Availability

The following table reflects the Organization's financial assets as of March 31, reduced by amounts not available for general expenditures or obligations within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that would be excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the Organization's Board of Directors, bond reserves that can only be used for specific capital projects, and assets held for or by others.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 4,999,807	$ 7,307,346
Investments	1,638,890	1,689,893
Accounts receivable	3,002,563	2,350,181
Financial assets available to meet cash needs for general purposes	$ 9,641,260	$ 11,347,420

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 60 days of operating expense coverage at any point in time.

3. Investments

The Organization's investments at March 31 consist of the following:

	2020	2019
Cash and cash equivalents	$ 14,035	$ 19,671
Fixed income mutual funds	1,273,630	1,278,558
Equity mutual funds	572,645	607,901
	1,860,310	1,906,130
Equity mutual funds included in other assets	(221,420)	(216,237)
Total investments	$ 1,638,890	$ 1,689,893

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

	2020	2019
Interest and dividend income	$ 63,488	$ 73,238
Realized and unrealized (losses) gains	(63,163)	26,261
Less investment fees	(12,921)	(12,274)
	$ (12,596)	$ 87,225

4. 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, 2020 and 2019.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of March 31, 2020 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Investments at Fair Value
Fixed income mutual funds	$ 1,273,630	$ -	$ -	$ 1,273,630
Equity mutual funds	572,645	-	-	572,645
Total investments at fair value	$ 1,846,275	$ -	$ -	$ 1,846,275

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of March 31, 2019 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Investments at Fair Value
Fixed income mutual funds	$ 1,278,558	$ -	$ -	$ 1,278,558
Equity mutual funds	607,901	-	-	607,901
Total investments at fair value	$ 1,886,459	$ -	$ -	$ 1,886,459

5. Property Held for Sale

Effective February 1, 2020, it was determined that one of the Organization's buildings located in Eagan, Minnesota (Eagan B) was not meeting the Organization's operational needs. As such, management relocated operations to other facilities and made the determination to sell Eagan B. Eagan B was initially listed for sale during February 2020 and remained on the market as of March 31, 2020. As such, the estimated fair value of Eagan B (net of estimated closing costs and other costs to sell) of $9,120,000 is presented in Property Held for Sale on the statement of financial position as of March 31, 2020. As net carrying value exceeded estimated fair value, an impairment loss of $788,420 is included in the statement of activities, allocated to program services, for the year ended March 31, 2020.

6. Property and Equipment

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

	2020		2019	
	Cost	**Accumulated Depreciation**	**Cost**	**Accumulated Depreciation**
Land	$ 1,966,822	$ -	$ 1,966,822	$ -
Buildings	12,311,811	1,304,310	23,108,813	1,663,417
Leasehold improvements	1,030,423	742,030	1,004,317	595,670
Computers and equipment	905,824	403,637	771,604	283,018
Furniture and fixtures	1,213,285	858,367	1,257,543	732,260
Construction in progress	59,751	-	9,453	-
Total	$ 17,487,916	3,308,344	$ 28,118,552	3,274,365
Net property and equipment		$ 14,179,572		$ 24,844,187

Construction in progress at March 31, 2020 and 2019 relates to leasehold improvements in progress at the Woodbury and Eagan locations.

7. Capital Lease Obligations

The Organization was party to a capital lease agreement for fifteen copiers which was terminated in late fiscal year 2018. The lease payments are recorded as interest expense and principal reduction. In connection with the inception of a new capital lease for eighteen copiers in fiscal year 2019, the new lessor agreed to buy out the predecessor lease for $264,794. Net gain on termination of the lease of $22,443 is included in other revenue on the statement of activities for the year ended March 31, 2019. At March 31, 2020 and 2019, the total capitalized cost of equipment under the Organization's capital lease was $387,854 with accumulated amortization at March 31, 2020 and 2019 of $103,428 and $25,857, respectively.

Capital lease obligations consist of the following at March 31:

	2020	2019
Present value of minimum lease payments	$ 295,715	$ 365,518
Less current portion	(74,199)	(69,803)
Noncurrent portion	$ 221,516	$ 295,715

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

Years ending March 31:		
2021	$	90,246
2022		90,246
2023		90,246
2024		60,164
Total		330,902
Less amount representing interest:		(35,187)
Present value of minimum lease payments	$	295,715

8. Long-Term Debt

On November 1, 2015, the Organization entered into financing and continuing covenant agreements (the Agreements) with Wells Fargo Bank, N.A. relating to the issuance of $8,800,000 of Educational Facilities Revenue Bonds (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 initially stated a fixed interest rate of 2.64%, which is subject to adjustment in future periods. 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 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 of Therapy Facilities Revenue Bonds (Revenue Bonds) were 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 initially stated a fixed interest rate of 2.64%, which is subject to adjustment in future periods. 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.

As of March 31, long term debt was comprised of the following:

	2020	2019
Educational facilities revenue bond	$ 7,456,895	$ 7,776,786
Therapy facilities revenue bond	4,050,602	4,203,356
Total long-term debt	11,507,497	11,980,142
Less debt issuance costs, net of accumulated amortization of $157,583 and $113,583, respectively	(150,420)	(194,420)
Total long-term debt	11,357,077	11,785,722
Less bond payable, current	(490,896)	(472,644)
Total long-term debt, net of current portion	$ 10,866,181	$ 11,313,078

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

Years ending March 31:		
2021	$	490,896
2022		505,660
2023		522,376
2024		537,878
2025		554,437
Thereafter		8,896,700
Total	$	11,507,497

9. 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:

Years ending March 31:		
2021	$	1,376,327
2022		1,032,712
2023		1,023,115
2024		1,043,787
2025		813,743
Thereafter		290,305
Total	$	5,579,989

Rent expense charged to operations, which includes the related real estate taxes, on all operating leases during the years ended March 31, 2020 and 2019 amounted to $2,155,199 and $1,928,303, respectively.

10. 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 $292,443 and $264,407 were made to the plan by the Organization during the years ended March 31, 2020 and 2019, respectively.

The Organization has a 457(b) deferred compensation plan covering the CEO. Plan assets and liabilities of $221,420 and $216,337 as of March 31, 2020 and 2019, respectively, are included in other assets and other liabilities on the statement of financial position. For the year ended March 31, 2020, contributions were made in the amount of $22,250, and for the year ended March 31, 2019, there were no contributions made by the Organization.

11. Line of Credit

The Organization had a $900,000 line of credit available from a bank. The line of credit matured on April 1, 2019 and was not renewed. The line of credit bore interest at a variable rate and was collateralized by all assets of the Organization. At March 31, 2019, no amounts were outstanding on the line of credit.

12. 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.

13. Subsequent Event

On April 17, 2020, the Organization received a loan through the Paycheck Protection Program through the Small Business Administration in the amount of $1,865,000. The interest rate on the loan is 1 percent per annum and no payments are due on the loans for sixth months. The loan will mature on April 17, 2025. The loan amount will be forgiven as long as the loan proceeds are used to cover payroll costs, mortgage principal and interest payments, rent and utilities over the twenty four week period after the loan was made and the Organization maintains certain employee and compensation levels in accordance with the Program.

The Organization has evaluated events and transactions for potential recognition or disclosure through July 28, 2020, which is the date the financial statements were approved and available to be issued.