Autism Opportunities Foundation
DBA: Minnesota Autism Center

Financial Statements

March 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the 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, 2019 and 2018, 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, 2019 and 2018, 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 23, 2019

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Financial Position
March 31, 2019 and 2018

	2019	2018
Current Assets		
Cash and cash equivalents	$ 7,307,346	$ 6,350,768
Accounts receivable, net	2,350,181	3,151,821
Prepaid expenses	520,604	476,832
Total Current Assets	10,178,131	9,979,421
Investments	1,689,893	1,637,146
Property and Equipment, net	24,844,187	25,507,347
Other Assets	216,237	-
Total Assets	36,928,448	37,123,914
Current Liabilities		
Capital lease obigations, current	$ 69,803	$ 78,957
Bond payable, current	472,644	338,888
Accounts payable	135,135	88,315
Accrued expenses		
Salaries and benefits	1,209,015	1,323,325
MinnesotaCare tax	101,189	129,496
Other	107,356	149,447
Deferred rent	171,745	191,828
Deferred gifts	-	11,500
Total Current Liabilities	2,266,887	2,311,756
Non-Current Liabilities		
Capital lease obligations, net of current portion	295,715	315,407
Long-term debt, net of current portion	11,313,078	11,741,887
Other liabilities	216,237	-
Total Non-Current Liabilities	11,825,030	12,057,294
Total Liabilities	14,091,917	14,369,050
Net Assets		
Without donor restriction	22,836,531	22,754,864
Total net assets	22,836,531	22,754,864
Total Liabilities and Net Assets	$ 36,928,448	$ 37,123,914

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Activities
March 31, 2019 and 2018

	2019	2018
Net Assets Without Donor Restriction		
Revenue, Gains and Other Support		
Net program service revenue	$ 27,206,492	$ 29,843,982
Gifts and grants	121,529	284,161
Investment income, net	87,225	81,345
Other	22,774	422
Total Revenue, Gains and Other Support	27,438,020	30,209,910
Expenses		
Program services	$ 23,182,182	$ 23,510,079
Management and general	4,155,072	3,283,679
Fundraising	19,099	26,049
Total Expenses	27,356,353	26,819,807
Change in Net Assets Without Donor Restriction	$ 81,667	$ 3,390,103
Net Assets - Beginning of Year	$ 22,754,864	$ 19,364,761
Net Assets - End of Year	$ 22,836,531	$ 22,754,864

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Functional Expenses
March 31, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 15,226,794	$ 2,078,747		$ 17,305,541	$ 15,661,624	$ 1,390,785	$ -	$ 17,052,409
Payroll taxes	1,113,716	152,043		1,265,759	1,147,372	101,889	-	1,249,261
Employee benefits	1,198,062	163,558		1,361,620	1,090,992	96,882	-	1,187,874
Office and equipment rent	1,541,561	301,401		1,842,962	1,498,185	274,815	-	1,773,000
Insurance	138,255	20,677		158,932	132,819	17,370	-	150,189
Professional fees	55,349	783,075		838,424	18,269	636,621	-	654,890
MinnesotaCare tax	555,635	-		555,635	593,692	-	-	593,692
Real estate taxes	171,932	-		171,932	206,003	-	-	206,003
Other taxes	8,795	-		8,795	12	-	-	12
Facility expense	642,821	217,730		860,551	654,145	382,859	-	1,037,004
Conferences, meetings, seminars	2,667	10,288		12,955	3,225	19,351	-	22,576
Workers' compensation insurance	357,141	48,757		405,898	652,925	57,981	-	710,906
Telephone	2,480	65,457		67,937	16,920	81,375	-	98,295
Provision for bad debts	-	41,450		41,450	-	35,691	-	35,691
Depreciation and amortization	1,056,583	127,476		1,184,059	908,000	50,296	-	958,296
Recruitment	-	85,715		85,715	9	93,424	-	93,433
Advertising/Promotion	-	15,930		15,930	-	12,304	-	12,304
Interest	397,135	1,645		398,780	262,657	485	-	263,142
Repairs and maintenance	713,165	30,053		743,218	662,895	20,881	-	683,776
Licenses and dues	91	11,070		11,161	335	10,670	-	11,005
Fundraising event(s) expense	-	-	19,099	19,099	-	-	26,049	26,049
Total Expenses	$ 23,182,182	$ 4,155,072	$ 19,099	$ 27,356,353	$ 23,510,079	$ 3,283,679	$ 26,049	$ 26,819,807

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Cash Flows
March 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Acitivities		
Change in net assets	$ 81,667	$ 3,390,103
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,184,059	958,296
Provision for bad debts	41,450	35,691
Gain on disposal of capital lease	(22,443)	-
Realized and unrealized gains on investments	(26,261)	(32,255)
Changes in other operating activities:		
Accounts receivable	760,190	(5,090)
Prepaid expenses	(43,772)	(49,254)
Accounts payable	46,820	1,189
Accrued expenses	(184,708)	84,896
Other liabilities	216,237	-
Deferred rent and deferred gifts	(31,583)	11,500
Net Cash Provided by Operating Activities	2,021,656	4,395,076
Cash Flows from Investing Activities		
Purchases of investments	$ (70,296)	$ (2,081,253)
Purchases of deferred compensation investments	(216,237)	-
Proceeds from sale of investments	43,810	2,039,252
Purchases of property and equipment	(415,492)	(6,077,012)
Net Cash Used in Investing Activities	(658,215)	(6,119,013)
Cash Flows from Financing Activities		
Payments on capital lease obligations	$ (67,810)	$ (62,609)
Principal payments on long-term debt	(339,053)	(241,200)
Net Cash Used in Financing Activities	(406,863)	(303,809)
Increase (Decrease) in Cash and Cash Equivalents	956,578	(2,027,746)
Cash and Cash Equivalents - Beginning of Year	$ 6,350,768	$ 8,378,514
Cash and Cash Equivalents - End of Year	$ 7,307,346	$ 6,350,768
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest, net of amounts capitalized	$ 398,782	$ 263,142
Non-Cash Investing and Financing Activities		
Payment of construction in progress and construction payable through issuance of revenue bonds	$ -	$ 4,085,435
Purchase of property and equipment through issuance of capital lease	$ 387,853	$ 200,478
Payment of debt issue costs through issuance of revenue bonds	$ -	$ 144,088

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 19 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 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.

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.

1. Basis of Presentation and Summary of Significant Accounting Policies (cont.)

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, an allowance for uncollectible receivables was estimated at $1,947 and $3,049, 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, 2019 and 2018 were as follows:

	2019	2018
Medicaid	75.9%	74.1%
Other Commercial Payers	24.1%	25.9%
Total	100.0%	100.0%

1. Basis of Presentation and Summary of Significant Accounting Policies (cont.)

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
2019	$ 3,049	$41,450	$(42,552)	$1,947
2018	$ 32,758	$ 35,691	$(65,400)	$ 3,049

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

Gifts and grants are recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded in 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:

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 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.

1. Basis of Presentation and Summary of Significant Accounting Policies (cont.)

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. No impairment losses were recorded in fiscal 2019 and 2018.

Advertising Costs

The Organization expenses advertising costs as incurred of $15,930 and $12,304 for the years ended March 31, 2019 and 2018, 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, 2019 and 2018. 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. The Organization has recorded $555,635 and $593,692 for the years ended March 31, 2019 and 2018, 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 is currently assessing the effect this standard will have on its financial statements.

1. Basis of Presentation and Summary of Significant Accounting Policies (cont.)

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, 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 currently assessing the effect this standard will have on its financial statements.

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, 2018 and contributions made during annual periods beginning after December 15, 2019. The Organization is currently assessing the effect this standard will have on its financial statements.

Accounting Standards Adopted In The Current Year

In fiscal year 2019, the Organization adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources. These disclosures have been presented for fiscal 2019 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed net assets without donor restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 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, 2018.

2. Liquidity and Availability

The following table reflects the Organization's financial assets as of March 31, 2019, 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.

Financial assets	
Cash and cash equivalents	$ 7,307,346
Investments	1,689,893
Accounts receivable	2,350,181
Financial assets available to meet cash needs for general expenditures within one year	$ 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:

	2019	2018
Cash and cash equivalents	$ 19,671	$ 15,090
Fixed income mutual funds	1,278,558	1,251,430
Equity mutual funds	391,664	370,626
Total	$ 1,689,893	$ 1,637,146

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

	2019	2018
Interest and dividend income	$ 73,238	$ 61,076
Realized and unrealized gains	26,261	32,255
Less: Investment fees	(12,274)	(11,986)
Total	$ 87,225	$ 81,345

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, 2019 and 2018.

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
Mutual funds – equities	607,901	-	-	607,901
Total investments at fair value	$ 1,886,459	$ -	$ -	$ 1,886,459

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

5. Property and Equipment

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

	2019		2018	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 1,966,822	$ -	$ 1,966,822	$ -
Buildings	23,108,813	1,663,417	23,170,833	1,018,785
Leasehold improvements	1,004,317	595,670	687,861	444,961
Computers and equipment	771,604	283,018	873,649	307,039
Furniture and fixtures	1,257,543	732,260	1,128,158	549,191
Construction in progress	9,453	-	-	-
Total	$ 28,118,552	3,274,365	$ 27,827,323	2,319,976
Net property and equipment		$ 24,844,187		$ 25,507,347

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

6. 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, 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. At March 31, 2019 and 2018, the total capitalized cost of equipment under the Organization's capital lease was $387,854 and $499,319, respectively with accumulated amortization at March 31, 2019 and 2018 of $25,857 and $114,618, respectively.

Capital lease obligations consist of the following at March 31:

	2019	2018
Present value of minimum lease payments	$ 365,518	$ 394,364
Less: Current portion	(69,803)	(78,957)
Noncurrent portion	$ 295,715	$ 315,407

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

Year Ending March 31	Amount
2020	$ 90,246
2021	90,246
2022	90,246
2023	90,246
2024	60,164
Total	421,148
Less: Amount representing interest	(55,630)
Present value of minimum lease payments	$ 365,518

7. 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, 2019, long term debt was comprised of the following:

	2019	2018
Educational Facilities Revenue Bond	$ 7,776,786	8,089,673
Therapy Facilities Revenue Bond	4,203,356	4,229,522
Total long-term debt	11,980,142	12,319,195
Less: Debt issuance costs, net of accumulated amortization of $113,583 and $69,583, respectively	(194,420)	(238,420)
Total Long-term Debt	11,785,722	12,080,775
Less: Bond payable, current	(472,644)	(338,888)
Total long-term debt, net of current portion	$ 11,313,078	$11,741,887

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

Year Ending March 31:	
2020	472,644
2021	490,896
2022	505,660
2023	522,376
2024	537,878
Thereafter	9,450,688
Total	$ 11,980,142

8. 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
2020	$ 1,424,418
2021	1,212,408
2022	748,430
2023	733,148
2024	748,021
Thereafter	512,061
Total	$ 5,378,486

Rent expense charged to operations, which includes the related real estate taxes, on all operating leases during the years ended March 31, 2019 and 2018 amounted to $1,928,303 and $1,904,917, respectively.

9. 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 $264,407 and $263,961 were made to the plan by the Organization during the years ended March 31, 2019 and 2018, respectively.

The Organization has a 457(b) deferred compensation plan and a 457(f) deferred compensation plan covering the CEO. Plan assets and liabilities of $216,337 are included in other assets and other liabilities on the statement of financial position. For the years ended March 31, 2019 and 2018, there were no contributions made by the Organization to either plan.

10. Line of Credit

The Organization has 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 bears interest at a variable rate and is collateralized by all assets of the Organization. At March 31, 2019 and 2018, no amounts were outstanding on lines of credit.

11. 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.

12. Subsequent Event

The Organization has evaluated events and transactions for potential recognition or disclosure through July 23, 2019, which is the date the financial statements were approved and available to be issued.