Autism Opportunities Foundation
DBA: Minnesota Autism Center

Financial Statements

March 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Minneapolis, Minnesota
July 21, 2021

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
Current Assets		
Cash and cash equivalents	$ 5,513,450	$ 4,999,807
Accounts receivable, net	2,082,168	3,002,563
Grants receivable	1,816,345	-
Prepaid expenses	492,554	448,699
Total current assets	9,904,517	8,451,069
Investments	1,934,270	1,638,890
Property Held for Sale	9,120,000	9,120,000
Property and Equipment, Net	13,512,148	14,179,572
Other Assets	307,646	221,420
Total assets	$ 34,778,581	$ 33,610,951
Current Liabilities		
Capital lease obligations, current	$ 78,872	$ 74,199
Bond payable, current	610,200	490,896
Accounts payable	224,557	76,887
Accrued expenses:		
Salaries and benefits	1,269,485	1,084,852
MinnesotaCare tax	12,160	3,790
Other	158,116	97,002
Deferred rent	226,994	149,885
Total current liabilities	2,580,384	1,977,511
Noncurrent Liabilities		
Capital lease obligations, net of current portion	142,644	221,516
Long-term debt, net of current portion	10,394,270	10,866,181
Other liabilities	307,646	221,420
Total noncurrent liabilities	10,844,560	11,309,117
Total liabilities	13,424,944	13,286,628
Net Assets		
Without donor restrictions	21,353,637	20,324,323
Total net assets	21,353,637	20,324,323
Total liabilities and net assets	$ 34,778,581	$ 33,610,951

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Activities
Years Ended March 31, 2021 and 2020

		2021		2020
Net Assets Without Donor Restrictions				
Revenue, Gains and Other Support				
Net program service revenue	$	15,422,453	$	23,256,690
Gifts and grants		3,714,658		155,826
Investment (loss) income, net		343,247		(12,596)
Total revenue, gains and other support		19,480,358		23,399,920
Expenses				
Program services		14,994,326		22,055,269
Management and general		3,451,222		3,799,139
Fundraising		5,496		57,720
Total expenses		18,451,044		25,912,128
Change in net assets without donor restrictions		1,029,314		(2,512,208)
Net Assets Without Donor Restrictions, Beginning		20,324,323		22,836,531
Net Assets Without Donor Restrictions, Ending	$	21,353,637	$	20,324,323

See notes to financial statements

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Functional Expenses
Years Ended March 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 8,874,092	$ 1,788,281	$ -	$ 10,662,373	$ 13,927,373	$ 1,699,145	$ -	$ 15,626,518
Payroll taxes	523,076	110,026	-	633,102	1,017,140	120,027	-	1,137,167
Employee benefits	1,248,745	204,275	-	1,453,020	1,090,633	134,108	-	1,224,741
Office and equipment rent	1,616,203	152,131	-	1,768,334	1,773,249	220,942	-	1,994,191
Insurance	96,595	19,466	-	116,061	93,964	11,368	-	105,332
Professional fees	69,118	568,817	2,500	640,435	59,716	641,263	-	700,979
MinnesotaCare tax	36,381	-	-	36,381	247,316	-	-	247,316
Real estate taxes	211,890	-	-	211,890	204,388	-	-	204,388
Other taxes	-	-	-	-	-	5,785	-	5,785
Facility expense	625,352	93,864	396	719,612	639,005	244,269	-	883,274
Conferences, meetings, seminars	421	302	-	723	-	8,293	-	8,293
Workers' compensation insurance	171,262	9,014	-	180,276	270,952	33,056	-	304,008
Telephone	3,342	70,450	-	73,792	3,439	58,574	-	62,013
Provision for bad debts	-	18,116	-	18,116	-	13,896	-	13,896
Depreciation and amortization	626,889	201,778	-	828,667	919,913	201,251	-	1,121,164
Recruitment	-	156,665	-	156,665	7,114	317,466	-	324,580
Advertising/Promotion	-	4,827	-	4,827	-	56,856	-	56,856
Interest	374,070	2,140	-	376,210	390,871	2,726	-	393,597
Repairs and maintenance	511,972	18,083	-	530,055	621,776	20,082	-	641,858
Licenses and dues	4,918	77	-	4,995	-	10,032	-	10,032
Fundraising event(s) expense	-	-	2,600	2,600	-	-	57,720	57,720
Loss on disposal of property and equipment	-	32,910	-	32,910	-	-	-	-
Impairment on property held for sale	-	-	-	-	788,420	-	-	788,420
Total expenses	$ 14,994,326	$ 3,451,222	$ 5,496	$ 18,451,044	$ 22,055,269	$ 3,799,139	$ 57,720	$ 25,912,128

Autism Opportunities Foundation DBA: Minnesota Autism Center

Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	$ 1,029,314	$ (2,512,208)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	828,667	1,121,164
Provision for bad debts	18,116	13,896
Impairment on property held for sale	-	788,420
Realized and unrealized (gains) losses on investments	(285,097)	63,163
Loss on disposal of property and equipment	32,910	-
Paycheck Protection Loan forgiveness	(1,865,000)	-
Changes in other operating activities:		
Accounts receivable	902,279	(666,278)
Grants receivable	(1,816,345)	-
Prepaid expenses	(43,855)	71,905
Refundable advances - PPP loan receipt	1,865,000	-
Accounts payable	147,670	(58,248)
Accrued expenses	254,117	(231,916)
Other liabilities	86,226	5,183
Deferred rent and deferred gifts	77,109	(21,860)
Net cash (used in) provided by operating activities	1,231,111	(1,426,779)
Cash Flows From Investing Activities		
Purchases of investments	(241,548)	(272,264)
Purchases of deferred compensation investments	(13,000)	(21,354)
Proceeds from sale of investments	158,039	276,275
Purchases of property and equipment	(150,153)	(320,969)
Net cash used in investing activities	(246,662)	(338,312)
Cash Flows From Financing Activities		
Payments on capital lease obligations	(74,199)	(69,803)
Principal payments on long-term debt	(396,607)	(472,645)
Net cash used in financing activities	(470,806)	(542,448)
Increase (decrease) in cash and cash equivalents	513,643	(2,307,539)
Cash and Cash Equivalents, Beginning	4,999,807	7,307,346
Cash and Cash Equivalents, Ending	$ 5,513,450	$ 4,999,807
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 376,142	$ 393,596

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 Case 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, 2021 and 2020, 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, 2021 and 2020, 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 recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers and implicit price concessions provided to uninsured or underinsured clients. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to program service revenue in the period of the change. At March 31, 2021 and 2020, an allowance for uncollectible receivables was estimated at $30,000 and $15,000, respectively.

Credit is granted without collateral to third party payers and clients. The mix of net client accounts receivable consists of:

	2021	2020
Medicaid	57 %	54 %
Other commercial payers	43	46
Total	100 %	100 %

Revenue Recognition

Program service revenue is the primary source of revenue for the Organization and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing treatment. These amounts are due from third party payers (both private and government health insurers) and clients. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Program services are traditionally provided on a daily basis for a specific service. The performance obligation is considered to be met each day that services are provided as the client is not required to continue services in subsequent periods and reimbursement is not contingent on the client's continued receipt of services.

The Organization uses the portfolio approach as a practical expedient for contracts related to net program service revenue. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the clients within each portfolio. Based upon historical collection trends, the Organization has concluded that revenue for a given portfolio would not be materially different than if revenue was accounted for on a contract-by-contract basis.

The Organization determines the transaction price based on industry rates for services provided, reduced by contractual adjustments provided to third party payers and discounts provided to clients in accordance with the Organization's policy. Generally, clients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured clients, and generally offers those uninsured clients a discount from standard charges if the client is not able to get approved for medical assistance. Subsequent changes to the Organization's transaction price are recorded as adjustments to client service revenue in the period of the change. Subsequent changes that are determined to be the result of credit and collection issues not assessed at the date of service are recorded as bad debt expense.

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

	2021	2020
Medicaid	68 %	78 %
Other commercial payers	32	22
	100 %	100 %

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 2021.

Advertising Costs

The Organization expenses advertising costs as incurred of $4,827 and $56,856 for the years ended March 31, 2021 and 2020, respectively.

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.

MinnesotaCare Tax

The Organization has recorded and pays quarterly the MinnesotaCare Tax representing 2 percent 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 $36,381 and $247,316 for the years ended March 31, 2021 and 2020, 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, 2021 and 2020. The Organization's tax returns are subject to review and examination by federal and state authorities.

Recently Issued Accounting Standards

In 2021, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the fully retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements, which have been included in Note 1. The Organization determined that there are no changes to the timing or amount of revenue recognized as a result of the adoption of this standard; as such, there are no changes to the fiscal year 2020 financial statements as a result of adopting this standard using a fully retrospective approach.

In February 2016, the 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 (fiscal year 2023), 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.

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.

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 5,513,450	$ 4,999,807
Investments	1,934,270	1,638,890
Accounts receivable	2,082,168	3,002,563
Grants receivable	1,816,345	-
Financial assets available to meet cash needs for general purposes within one year	$ 11,346,233	$ 9,641,260

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:

	2021	2020
Cash and cash equivalents	$ 21,765	$ 14,035
Fixed income mutual funds	1,368,899	1,273,630
Equity mutual funds	851,252	572,645
	2,241,916	1,860,310
Equity mutual funds included in other assets	(307,646)	(221,420)
Total investments	$ 1,934,270	$ 1,638,890

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

	2021	2020
Interest and dividend income	$ 71,671	$ 63,488
Realized and unrealized (losses) gains	285,097	(63,163)
Less investment fees	(13,521)	(12,921)
	$ 343,247	$ (12,596)

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, 2021 and 2020.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of March 31, 2021 based upon the three-level hierarchy:

	Level 1	Level 2	Level 3	Investments at Fair Value
Fixed income mutual funds	$ 1,368,899	$ -	$ -	$ 1,368,899
Equity mutual funds	851,252	-	-	851,252
Total investments at fair value	$ 2,220,151	$ -	$ -	$ 2,220,151

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

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, 2021. 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, 2021 and 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.

On June 28, 2021, the Organization signed a letter of intent to sell Eagan B.

6. Property and Equipment

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

	2021		2020	
	Cost	**Accumulated Depreciation**	**Cost**	**Accumulated Depreciation**
Land	$ 1,966,822	$ -	$ 1,966,822	$ -
Buildings	12,340,042	1,667,709	12,311,811	1,304,310
Leasehold improvements	944,412	672,586	1,030,423	742,030
Computers and equipment	982,292	563,201	959,632	403,637
Furniture and fixtures	1,197,474	1,015,398	1,213,285	858,367
Construction in progress	-	-	5,943	-
Total	$ 17,431,042	3,918,894	$ 17,487,916	3,308,344
Net property and equipment		$ 13,512,148		$ 14,179,572

Construction in progress at March 31, 2020 relates to leasehold improvements in progress at the Duluth location.

7. Capital Lease Obligations

The Organization is party to a capital lease agreement for eighteen copiers. At March 31, 2021 and 2020, the total capitalized cost of equipment under the Organization's capital lease was $387,854 with accumulated amortization at March 31, 2021 and 2020 of $181,055 and $103,428, respectively.

Capital lease obligations consist of the following at March 31:

	2021	2020
Present value of minimum lease payments	$ 221,516	$ 295,715
Less current portion	(78,872)	(74,199)
Noncurrent portion	$ 142,644	$ 221,516

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

Years ending March 31:		
2022	$	90,246
2023		90,246
2024		60,164
Total		240,656
Less amount representing interest:		(19,140)
Present value of minimum lease payments	$	221,516

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 percent, 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 percent, 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 percent for the Series 2015 Bond and to 3.2086 percent 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:

	2021	2020
Educational facilities revenue bond	$ 7,188,605	$ 7,456,895
Therapy facilities revenue bond	3,922,285	4,050,602
Total long-term debt	11,110,890	11,507,497
Less debt issuance costs, net of accumulated amortization of $201,583 and $157,583, respectively	(106,420)	(150,420)
Total long-term debt	11,004,470	11,357,077
Less bond payable, current	(610,200)	(490,896)
Total long-term debt, net of current portion	$ 10,394,270	$ 10,866,181

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

Years ending March 31:	
2022	$ 610,200
2023	529,568
2024	536,909
2025	553,438
2026	573,667
Thereafter	8,307,108
Total	$ 11,110,890

9. Operating Leases

The Organization conducts its operations in leased facilities under non-cancelable operating leases expiring through January 31, 2026. 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:	
2022	$ 1,342,726
2023	1,185,259
2024	1,178,879
2025	953,344
2026	406,274
Total	$ 5,066,482

Rent expense charged to operations, which includes the related real estate taxes, on all operating leases during the years ended March 31, 2021 and 2020 amounted to $1,958,050 and $2,155,199, 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 $191,497 and $292,443 were made to the plan by the Organization during the years ended March 31, 2021 and 2020, respectively.

The Organization has a 457(b) deferred compensation plan covering the CEO. Plan assets and liabilities of $307,646 and $221,420 as of March 31, 2021 and 2020, respectively, are included in other assets and other liabilities on the statement of financial position. For the year ended March 31, 2021 and 2020, contributions were made in the amount of $13,000, and $22,250, respectively, by the Organization.

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.

The Organization is self-insured for employee health insurance and has obtained specific and aggregate stop-loss coverage to limit their ultimate exposure. The reserve for claims incurred, but not yet reported, was $117,729 and $0 as of March 31, 2021 and 2020 and is included in accrued expenses in the statements of financial position.

12. Coronavirus Aid, Relief and Economic Stability Act

On April 17, 2020, the Organization entered into a new loan facility with Mid-Country Bank under the recent government enacted Paycheck Protection Program (PPP), as part of the Coronavirus Aid, Relief and Economic Stability (CARES) Act administered by the Small Business Administration (SBA). The Organization borrowed $1,865,000 under the loan facility. The loan carried a fixed interest rate of 1 percent and was scheduled to mature on April 17, 2025. Loans under the PPP have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a twenty-four week period commencing on the date of the loan. On January 11, 2021, the loan and interest were forgiven. As such, the PPP loan proceeds of $1,865,000 were recorded as grant revenue in the accompanying statement of activities for the year ended March 31, 2021.

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

The Employee Retention Credit (ERC), which was also included as part of the CARES Act and amended by the Consolidated Appropriations Act (CAA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer’s share of employment taxes paid for qualified wages paid after March 12, 2020 and before January 1, 2021 (relating to the 2020 credit) and then for wages paid in 2021 (relating to the 2021 credit). Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages paid by an eligible employer. The Organization believes it qualifies as an eligible employer with qualified wages paid during the period from January 1, 2021 to March 31, 2021 and elected to apply for this credit subsequent to year-end. As a result, the Organization has accounted for this federal funding in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ACS) 410, Asset Retirement and Environmental Obligations. ASC 410-30-35-8 indicates that a claim for recovery should be recognized only when the claim is probable of recovery as defined in ASC 450-20-25-1 (i.e. Contingencies). Accordingly, the Organization believes that the recovery of employment tax amounts previously paid is probable, and has recorded an ERC receivable and related government grant of $1,816,345 as of and for the year ended March 31, 2021.

13. Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through July 21, 2021, which is the date the financial statements were approved and available to be issued.