BOLDER OPTIONS

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

BOLDER OPTIONS

ORGANIZATION

Date Organized	May 1998
Under Laws of State of	Minnesota
Fiscal Year End	December 31

OFFICERS, DIRECTORS, AND MANAGEMENT

Brad Becker	President/CEO ONB Bank Rochester	Director
Scott Broberg	SVP, Fast Horse	Director
Betsy Buckley	Founder and President, What Matters	Director
Lou Close	SVP - Inv Advisory & Brokerage Svcs, UBS Financial Svcs	Director
Bill Gaumond	CFO, Allianz	Finance Chair
Kellie Hand	VP, Strategic Partnerships The StayWell Company	Director
Ray Hawes	Retired	Director
Ray Hitchcock	Realtor, Edina Realty	Director
Dave Jones	Retired	Development Chair
Crawford Jordan	Director, Express Scripts	Director
Jennifer Kraus	SVP, General Counsel, Corporate Secretary, Braun Intertec Corporation	Secretary
Jorge Lomeli	AVP Oper, Federal Reserve Bank of Minneapolis	Program Chair
Chandler McCoy	President, M & A Executive Search	Director
John McCormick	COO, Braun Intertec	Board Chair/Treasurer
Jessica Roe	Attorney, Roe Law Group, PLLC	Human Capital Chair
Maggie Romens	President of Brand Enhancement Group	Director
Rodney Young	CEO, Delta Dental of Minnesota	Director
Darrell Thompson	President, Bolder Options	Ex-Officio

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bolder Options
Minneapolis, Minnesota

We have audited the accompanying financial statements of Bolder Options (a nonprofit organization), which comprise the statements of financial position as of December 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.

Auditor's 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 audit 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 on the previous page present fairly, in all material respects, the financial position of Bolder Options as of December 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.

Carlson SV LLP

Amery, Wisconsin
August 16, 2021

BOLDER OPTIONS
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 416,641	$ 126,242
Grants receivable	32,090	31,340
Unconditional promises to give	-	25,000
Prepaid expense	4,351	8,885
Total Current Assets	453,082	191,467
OTHER ASSETS		
Investments	113,288	96,688
PROPERTY AND EQUIPMENT		
Property and equipment	1,810,314	1,810,314
Accumulated depreciation	(705,527)	(651,314)
Property and Equipment, Net	1,104,787	1,159,000
TOTAL ASSETS	**$ 1,671,157**	**$ 1,447,155**

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 13,174	$ 12,392
Accrued expenses	42,605	40,202
Current portion of long-term debt	12,190	737,318
Total Current Liabilities	67,969	789,912
LONG-TERM DEBT	853,328	-
Total Liabilities	921,297	789,912
NET ASSETS		
Without donor restrictions	636,572	560,555
With donor restrictions	113,288	96,688
Total Net Assets	749,860	657,243
TOTAL LIABILITIES AND NET ASSETS	**$ 1,671,157**	**$ 1,447,155**

(The accompanying notes are an integral part of these financial statements.)

BOLDER OPTIONS
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	2020			2019		
OPERATING ACTIVITIES	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues, Gains, and Other Support						
Contributions and grants						
Fundraising events	$ 187,873	$ -	$ 187,873	$ 133,881	$ -	$ 133,881
Government grants	144,217	-	144,217	126,753	-	126,753
In-kind contributions	14,061	-	14,061	18,417	-	18,417
All other contributions	824,492	7,000	831,492	921,570	-	921,570
Investment return, net	234	9,600	9,834	4	13,367	13,371
Miscellaneous revenue	12,800	-	12,800	14,814	-	14,814
Gross special events revenue	18,914	-	18,914	15,000	-	15,000
Less cost of direct benefits to donors	(18,914)	-	(18,914)	(15,000)	-	(15,000)
Net special events revenue	-	-	-	-	-	-
Total Revenues, Gains, and Other Support	1,183,677	16,600	1,200,277	1,215,439	13,367	1,228,806
Expenses						
Program services	746,604	-	746,604	869,217	-	869,217
Support services						
Management and general	166,461	-	166,461	164,429	-	164,429
Fundraising	194,595	-	194,595	208,703	-	208,703
Total Expenses	1,107,660	-	1,107,660	1,242,349	-	1,242,349
CHANGE IN NET ASSETS	76,017	16,600	92,617	(26,910)	13,367	(13,543)
NET ASSETS, BEGINNING OF YEAR	560,555	96,688	657,243	587,465	83,321	670,786
NET ASSETS, END OF YEAR	**$ 636,572**	**$ 113,288**	**$ 749,860**	**$ 560,555**	**$ 96,688**	**$ 657,243**

(The accompanying notes are an integral part of these financial statements.)

BOLDER OPTIONS
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total
Youth activities	$ 40,575	$ -	$ -	$ 40,575
Salaries and benefits	480,342	87,950	108,246	676,538
Fees for services	25,687	39,121	5,865	70,673
Advertising and promotion	3,105	568	700	4,373
Office expenses	37,396	6,847	8,427	52,670
Information technology	9,481	1,736	2,136	13,353
Occupancy	29,702	5,439	6,694	41,835
Travel and transportation	8,464	2,021	2,147	12,632
Conferences, conventions, and meetings	3,739	3,068	2,780	9,587
Interest expense	25,764	4,717	5,806	36,287
Depreciation	38,491	7,048	8,674	54,213
Insurance	28,651	5,246	6,456	40,353
Other	30,698	5,267	37,520	73,485
Total expenses by function	762,095	169,028	195,451	1,126,574
Less expenses included with revenues				
Cost of direct benefits to donors	(15,491)	(2,567)	(856)	(18,914)
TOTAL	**$ 746,604**	**$ 166,461**	**$ 194,595**	**$ 1,107,660**

	2019			
	Program Services	Management and General	Fundraising	Total
Youth activities	$ 61,830	$ -	$ -	$ 61,830
Salaries and benefits	496,593	90,925	111,908	699,426
Fees for services	56,360	10,319	12,701	79,380
Advertising and promotion	476	87	107	670
Office expenses	43,998	8,056	9,915	61,969
Information technology	4,316	790	972	6,078
Occupancy	27,000	4,944	6,084	38,028
Travel and transportation	18,387	4,391	4,665	27,443
Conferences, conventions, and meetings	3,937	3,230	2,928	10,095
Interest expense	26,227	4,802	5,910	36,939
Depreciation	38,879	7,119	8,762	54,760
Insurance	26,784	4,904	6,036	37,724
Other	64,430	24,862	53,715	143,007
Total expenses by function	869,217	164,429	223,703	1,257,349
Less expenses included with revenues				
Cost of direct benefits to donors	-	-	(15,000)	(15,000)
TOTAL	**$ 869,217**	**$ 164,429**	**$ 208,703**	**$ 1,242,349**

(The accompanying notes are an integral part of these financial statements.)

BOLDER OPTIONS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 92,617	$ (13,543)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	54,213	54,760
Contributions restricted for long-term purposes	(7,000)	-
Unrealized gain on investments	(10,738)	(14,260)
Net operating changes in		
Grants receivable	(750)	(29,615)
Unconditional promises to give	25,000	25,000
Prepaid expense	4,534	(1,721)
Accounts payable	782	(6,167)
Accrued expenses	2,403	(6,685)
Net Cash Provided by Operating Activities	161,061	7,769
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,000)	-
Redemption of investments	1,138	893
Net Cash Provided (Used) by Investing Activities	(5,862)	893
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	7,000	-
Advances on long-term debt	131,400	-
Payments on long-term debt	(3,200)	(2,158)
Net Cash Provided (Used) by Financing Activities	135,200	(2,158)
NET INCREASE IN CASH AND CASH EQUIVALENTS	290,399	6,504
BEGINNING CASH AND CASH EQUIVALENTS	126,242	119,738
ENDING CASH AND CASH EQUIVALENTS	**$ 416,641**	**$ 126,242**
SUPPLEMENTAL DISCLOSURE		
Cash payments during the year for		
Interest	$ 36,799	$ 36,842

(The accompanying notes are an integral part of these financial statements.)

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Bolder Options was originally incorporated in May 1998 as a non-profit corporation. The Organization has offices in Minneapolis and Rochester, Minnesota. It was established to encourage positive, self-concept attitudes and behavior in youth and to provide positive mentoring relationships and role models. Bolder Options engages youth and mentors in goal setting, physical activity, tutoring, and community involvement to build confidence, maximize potential, and encourage healthy life skills.

The Organization's mission is to teach at-risk youth (ages 10 to 15) to succeed in all of life's races by involving kids in mentoring relationships with positive role models. The Organization supports youth-mentor pairs in running or bike training, adventure learning, goal setting, and volunteer services providing the structure and support for healthy relationships and positive behaviors.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors: net assets without donor restrictions and net assets with donor restrictions.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities, as applicable. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk
The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and organizations supportive of our mission. Investments are monitored by the Organization and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term.

Cash, Cash Equivalents, and Restricted Cash
The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Grants Receivable
Grants receivable consist primarily of noninterest-bearing amounts due for services performed under grant agreements. The Organization determines the allowance for uncollectible grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectible. At December 31, 2020 and 2019, an evaluation of the aging and collectability of grants receivable indicated that no allowance was necessary.

Promises to Give
Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible unconditional promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Unconditional promises to give are written off when deemed uncollectible. At December 31, 2020 and 2019, an evaluation of the aging and collectability of unconditional promises to give indicated that no allowance was necessary.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets ranging from five to forty years, or in the case of capitalized leased assets or leasehold improvement, the lesser of the useful life of the asset or the lease term. The Organization's policy is to capitalize renewals and betterments acquired for greater than $500 and expense normal repairs and maintenance as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly net assets and changes therein are classified and reported as follows:

> **Net Assets Without Donor Restrictions**
>
> Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions
Net assets subject to donor (or certain grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where by the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition
The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2020 and 2019, conditional contributions approximating $170,032 and $42,160, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions
Volunteers contribute significant amounts of time to the Organization’s program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Contributed goods of $14,061 and $18,417 were received during the years ended December 31, 2020 and 2019, respectively.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort, as well as fees for services, advertising and promotion, office expenses, information technology, occupancy, travel and transportation, conferences, conventions, and meetings, interest, depreciation, insurance, and other, which are allocated on the basis of estimates of use/purpose.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar state provisions, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Effect of Economic Conditions on Contributions

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's Board of Directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events Consideration

Management has evaluated subsequent events through August 16, 2021, the date on which the financial statements were available to be issued. Management has determined that there were no material events that would require recognition or disclosure in the Organization's financial statements through this date.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position consists of the following at December 31:

Financial assets at year end	2020	2019
Cash and cash equivalents	$ 416,641	$ 126,242
Grants receivable	32,090	31,340
Unconditional promises to give	-	25,000
Investments	113,288	96,688
Total financial assets	562,019	279,270
Less amounts not available to be used within one year		
Investments in endowment	113,288	96,688
Fiscal agent liability	84	7,083
	113,372	103,771
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	**$ 448,647**	**$ 175,499**

The Organization's goal is generally to maintain financial assets to meet 90 days of operation expenses (approximately $275,000). As part of its liquidity plan, excess cash is invested in short-term investments, including savings accounts.

NOTE 3 – INVESTMENTS

Investments as of December 31 are summarized as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Non-current assets				
THE MINNEAPOLIS FOUNDATION	**$ 46,132**	**$ 113,288**	**$ 39,132**	**$ 96,688**

Net investment return for the years ended December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Change in unrealized gains	$ 10,738	$ 14,260
Interest income	6	4
Investment fees	(910)	(893)
TOTAL	**$ 9,834**	**$ 13,371**

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

There has been no change in the valuation methodologies used for the years presented and there have been no transfers between levels.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31:

		Fair Value Measurements Using:		
2020	**Total Carrying Value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
BENEFICIAL INTEREST IN ENDOWMENT FUND	$ 113,288	$ -	$ -	$ 113,288
2019				
BENEFICIAL INTEREST IN ENDOWMENT FUND	$ 96,688	$ -	$ -	$ 96,688

NOTE 5 – PROPERTY AND EQUIPMENT

Cost of property and equipment as of December 31 consists of the following:

	2020	2019
Land	$ 201,375	$ 201,375
Buildings and improvements	1,563,874	1,563,874
Equipment	45,065	45,065
Total	1,810,314	1,810,314
Accumulated depreciation	(705,527)	(651,314)
PROPERTY AND EQUIPMENT, NET	**$ 1,104,787**	**$ 1,159,000**

Depreciation expense on property and equipment amounted to $54,213 and $54,760 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt as of December 31 is as follows:

	2020	2019
Nonprofits Assistance Fund	$ 734,118	$ 737,318
Bremer Bank	131,400	-
	865,518	737,318
Current portion	(12,190)	(737,318)
TOTAL	**$ 853,328**	**$ -**

The Nonprofits Assistance Fund long-term loan was refinanced on December 22, 2020. The loan is due and payable at the rate of $4,000 per month, including fixed interest at the rate of 5.00%. The maturity date of the loan is December 16, 2025. The loan is secured by a real estate mortgage on the program services and administrative offices building, an assignment of rents and leases from the building, and a security agreement on other assets of the Organization.

NOTE 6 – LONG-TERM DEBT (Continued)

The note payable to Bremer Bank was issued under the U.S. Federal Government Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Organization obtained a PPP loan for $131,400, has elected to account for the loan as a loan and therefore included in the Organization's loan payable balance at December 31, 2020. The note matures in April 2022 and bears interest at a fixed annual rate of 1%. Application for forgiveness was submitted to the Small Business Administration (SBA), and subsequent to year end on March 2, 2021, has been awarded forgiveness. The Organization will recognize a gain on forgiveness of the loan on the date forgiveness has been awarded.

Principal amounts due on long-term debt are as follows: 2021 $12,190; 2022 $143,582; 2023 $12,805; 2024 $13,454; and 2025 $683,487.

NOTE 7 – ENDOWMENT FUNDS

Donor-restricted Endowments

The Organization’s endowment consists of one endowment fund held by The Minneapolis Foundation and is comprised of donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

NOTE 7 – ENDOWMENT FUNDS (Continued)

Investment Return Objectives, Risk Parameters, and Strategies

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

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its investment income. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 7 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets as of December 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
2020			
Endowment net assets, beginning of year	$ -	$ 96,688	$ 96,688
Contributions		7,000	7,000
Investment return, net	-	9,828	9,828
Other expenses	-	(228)	(228)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 113,288**	**$ 113,288**
2019			
Endowment net assets, beginning of year	$ -	$ 83,321	$ 83,321
Investment return, net	-	13,367	13,367
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 96,688**	**$ 96,688**

NOTE 8 –NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	2020	2019
Passage of time		
ENDOWMENT FUND	**$ 113,288**	**$ 96,688**

NOTE 8 –NET ASSETS (Continued)

Net assets without donor restrictions for the years ended December 31 are as follows:

	2020	2019
UNDESIGNATED	$ 636,572	$ 560,555

NOTE 9 – AGENCY TRANSACTIONS

The Organization has named Run Like Rell as a designated beneficiary of a fund that is held by Bolder Options. As of December 31, 2020 and 2019, the amount due to the designated beneficiary is $84 and $7,083, respectively.

NOTE 10 – GOVERNMENTAL SOURCES

The Organization received approximately 12% and 10% of the total Organization's annual revenue from Governmental sources in 2020 and 2019, respectively. Federal grants were 7% and 5%, respectively, and State of Minnesota grants were 5% and 5%, respectively. In 2020, the federal amount consisted of USDA-NIFA CYFAR SCP grants, and the State of Minnesota amount consisted of a YIP grant.

NOTE 11 – PENSION

The Organization participates in a multiple employer 401(k) pension plan. Employees at least 21 years of age who have 6 months of service are eligible to participate in the plan. Employees may contribute as allowed by IRS rules. The plan provides for payment to be made by the Organization at a 100% match of employees' contributions up to 10% of the employees' gross wages for employees in the executive class, and a 100% match of employees' compensation up to 5% of the employees' compensation for employees in the general class. Under the plan, vested and non-vested pension costs are funded as they accrue. Pension expense for the years ending December 31, 2020 and 2019 amounted to $0. Employer contributions to the 401(k) plan were suspended for 2020 and 2019.

NOTE 12 – RENT/LEASES

The Organization leases office space in Rochester, Minnesota. The Organization also leases a copier and equipment. Lease expense amounted to $10,322 in 2020 and $11,274 for the years ended December 31, 2020 and 2019, respectively.

Future minimum non-cancelable lease payments for operating leases are as follows: 2021 $7,619; 2022 $7,619; and 2023 $7,619.

NOTE 13 – INCOME TAX

At December 31, 2020, the Organization has unrelated business income tax net operating loss carryforwards of $34,755 ($33,102 – 2019). These loss carryforwards begin to expire in 2027 through 2037. Unused net operating losses are available to offset current and future taxable income as follows:

Date of Loss	Carryforward Expires	Federal	State
12-31-2007	12-31-2027	$ 6,441	$ 6,441
12-31-2008	12-31-2028	2,411	2,411
12-31-2009	12-31-2029	5,555	5,555
12-31-2014	12-31-2034	7,854	7,854
12-31-2015	12-31-2035	4,062	4,062
12-31-2016	12-31-2036	2,647	2,647
12-31-2017	12-31-2037	3,913	3,913
12-31-2018	No Expiration	219	219
12-31-2020	No Expiration	1,653	1,653

Following are the components which make up the Organization's deferred income tax asset (liability):

	2020	2019
Current deferred tax assets		
Net operating loss carryforwards	$ 10,700	$ 10,200
Valuation allowance recognized	(10,700)	(10,200)
TOTAL	**$ -**	**$ -**

NOTE 14 – COVID-19

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.