SOLID GROUND

AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Solid Ground
White Bear Lake, Minnesota

We have audited the accompanying financial statements of Solid Ground (a non-profit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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 Solid Ground as of December 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.

Report on Summarized Comparative Information

We have previously audited Solid Ground's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Harrington Langer & Associates

March 9, 2020

SOLID GROUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 147,279	$ 174,251
Investments	1,310,981	1,178,558
Accounts receivable	97,826	64,112
Grants receivable	108,181	69,913
Current portion of pledges receivable	93,852	82,143
Prepaid expenses and deposits	53,546	24,609
TOTAL CURRENT ASSETS	1,811,665	1,593,586
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	228,523	218,583
Vehicles	20,000	20,000
Furniture and equipment	151,757	179,247
Less: accumulated depreciation	(227,196)	(209,799)
TOTAL PROPERTY AND EQUIPMENT, net	173,084	208,031
OTHER ASSETS		
Investments - beneficial interest in assets held by The Saint Paul Foundation	439,345	385,431
Pledges receivable, net of current portion, discounts and and allowances of $23,469 and $22,898, respectively	120,743	117,835
Notes receivable and construction advances, less loss reserves of $889,564 and $856,276 for the years ended December 31, 2019 and 2018, respectively	-	-
TOTAL OTHER ASSETS	560,088	503,266
TOTAL ASSETS	$ 2,544,837	$ 2,304,883

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 72,527	$ 51,443
NET ASSETS		
Without donor restrictions		
Board designated	1,054,842	939,129
Undesignated	1,034,531	975,098
Total without donor restrictions	2,089,373	1,914,227
With donor restrictions	382,937	339,213
TOTAL NET ASSETS	2,472,310	2,253,440
TOTAL LIABILITIES AND NET ASSETS	$ 2,544,837	$ 2,304,883

See notes to financial statements

SOLID GROUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
REVENUE AND SUPPORT				
Corporate and foundation grants	$ 356,160	$ 83,090	$ 439,250	$ 433,456
Contributions	78,836	68,200	147,036	171,904
United Way support	138,358	-	138,358	112,544
Government grants	485,877	45,381	531,258	436,934
Special event, net of direct expenses of $36,703 and $34,634, respectively	298,053	45,700	343,753	364,361
Program services and other	93,285	-	93,285	55,964
Investment income, net	141,965	-	141,965	27,376
In-kind contributions	75,710	-	75,710	75,510
Net assets released from restrictions	198,647	(198,647)	-	-
TOTAL REVENUE AND SUPPORT	1,866,891	43,724	1,910,615	1,678,049
EXPENSES				
Program services	1,528,127	-	1,528,127	1,340,670
Management and general	63,258	-	63,258	104,667
Fundraising	100,360	-	100,360	109,463
TOTAL EXPENSES	1,691,745	-	1,691,745	1,554,800
CHANGE IN NET ASSETS	175,146	43,724	218,870	123,249
NET ASSETS, BEGINNING	1,914,227	339,213	2,253,440	2,130,191
NET ASSETS, ENDING	$ 2,089,373	$ 382,937	$ 2,472,310	$ 2,253,440

See notes to financial statements

SOLID GROUND
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 218,870	$ 123,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,888	51,619
Donated securities	(3,230)	(21,147)
Bad debt on notes receivable	33,288	31,799
Accrued interest on pledges and notes receivable	(33,288)	(31,799)
Interest and dividends reinvested	(46,506)	(37,961)
Unrealized and realized investment (gains) losses, net	(61,602)	45,086
Decrease (increase) in:		
Accounts and grants receivable	(71,982)	38,887
Pledges receivable	(14,617)	(40,235)
Prepaid expenses and deposits	(28,937)	3,468
Increase (decrease) in:		
Accounts payable and accrued expenses	21,084	(10,104)
NET CASH PROVIDED BY OPERATING ACTIVITIES	57,968	152,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,940)	(104,473)
Purchase of investments	(90,648)	(64,752)
Proceeds from sale of investments	15,648	14,752
NET CASH USED IN INVESTING ACTIVITIES	(84,940)	(154,473)
DECREASE IN CASH AND CASH EQUIVALENTS	(26,972)	(1,611)
CASH AND CASH EQUIVALENTS, BEGINNING	174,251	175,862
CASH AND CASH EQUIVALENTS, ENDING	$ 147,279	$ 174,251

SOLID GROUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services	Management and General	Fund-raising	Total 2019	Total 2018
Salaries	$ 856,443	$ 37,778	$ 64,160	$ 958,381	884,851
Payroll taxes	63,823	2,830	4,818	71,471	66,046
Fringe benefits	97,383	1,510	4,033	102,926	86,252
Workers compensation	9,657	264	539	10,460	21,786
Total personnel expenses	1,027,306	42,382	73,550	1,143,238	1,058,935
Professional services	9,587	239	478	10,304	11,965
Contract services	31,507	486	15,969	47,962	45,419
Family assistance accounts	85,511	78	-	85,589	39,450
Family development funds	-	-	-	-	2,000
Health and wellness program	3,485	-	-	3,485	4,281
Evaluation	11,409	-	-	11,409	9,687
Office and program supplies	5,259	105	323	5,687	5,063
Postage	2,321	73	794	3,188	2,411
Telephone and internet	13,953	317	549	14,819	12,670
Printing & publication	8,109	252	2,850	11,211	11,388
Vehicle maintenance	4,027	-	-	4,027	706
Travel, meetings, and moving	21,309	83	848	22,240	18,427
Staff and board development	7,932	32	595	8,559	6,485
Memberships	2,039	60	120	2,219	1,898
Insurance and licensing	20,728	646	1,292	22,666	24,513
Rent, utilities, and maintenance	12,183	217	434	12,834	12,389
In-kind rents	75,260	-	-	75,260	75,260
Leasing subsidies	89,669	5	11	89,685	89,676
Office and program equipment	9,436	98	1,565	11,099	11,857
Family and youth activities	26,266	1	-	26,267	24,504
Special events	-	-	36,703	36,703	34,634
Depreciation	26,363	18,184	341	44,888	51,619
Bad debts	1,180	-	300	1,480	1,500
Loan loss reserve	33,288	-	-	33,288	31,799
Community outreach	-	-	341	341	898
Total Expenses by Function	1,528,127	63,258	137,063	1,728,448	1,589,434
Less expenses included with revenues on the statement of of activities					
Special events	-	-	(36,703)	(36,703)	(34,634)
Total expenses	$ 1,528,127	$ 63,258	$ 100,360	$ 1,691,745	$ 1,554,800

See notes to financial statements

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The mission of Solid Ground (the Organization) is to prevent and end homelessness for families with children through housing, resources and opportunity. The purpose of the Organization is to advocate, provide, and coordinate housing and services for families in transition and working towards self-sufficiency in the St. Paul, Minnesota metro area.

Basis of Presentation:

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization 's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 and disclosures in these financial statements. Actual results could differ from those estimates.

Revenue Recognition:

The Organization recognizes revenue from exchange transaction, primarily from agreements to provide supportive services, property management and partnership management, as the services are provided to the client. These amounts are included in program services. Special event revenue is recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued):

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. Our state and county grants and contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2019 and 2018, the Organization had conditional promises to give of approximately $453,400 and $311,500, respectively, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

Contributions received, grants awarded, and other unconditional promises-to-give are measured at their fair values and are reported as an increase in net assets with donor restrictions if they are received with donor or grantor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor or grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Solid Ground reports gifts of goods and equipment as unrestricted support 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, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except those classified as investments. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Investments:

Investments primarily consist of money market funds, debt and equity securities and beneficial interest in assets held by The Saint Paul Foundation and are valued at fair value. Donated investments are recorded at fair value on the date of donation. Investment expenses are not included in investment income. Dividends are recorded on an ex-dividend date.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable:

Pledges receivable are contributions that are to be collected in future years and are recorded at net present value based on an 1.65% discounted cash flow rate which approximates the Federal Reserve five-year Treasury bill. The Organization uses the allowance method to determine uncollectible pledges based on prior years' experience and management's analysis of specific pledges. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Accounts Receivable and Grants Receivable:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. For the years ended December 31, 2019 and 2018 management provided no allowance for doubtful accounts.

Property and Equipment:

All major expenditures for property and equipment are capitalized at cost. Equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date they are received. Depreciation is provided on the straight-line method over the estimated useful lives of the underlying assets.

Income Taxes:

Solid Ground been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes. The Organization is classified as organization that is not a private foundation and charitable contributions by donors are tax deductible.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for any uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Reclassification:

Certain amounts in the 20178 financial statements have been reclassified to conform to the 20199 presentation. These amounts have no effect on previously reported net assets.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses:

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to program support costs based on management's analysis and estimates of direct personnel hours and labor-related costs. These estimates are revised by management, as necessary, to reflect the current state of the Organization and to provide accurate expense allocations.

Change in Accounting Principle:

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organizations has implemented Topic 606 and adjusted the presentation in these financial statements accordingly. These amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements from the year ended December 31, 2018, from which the summarized information was derived.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition for disclosure through March 9, 2020, the date the financial statements were available to be issued.

NOTE 2. PLEDGES RECEIVABLE

Outstanding pledge contributions from various foundations and individuals at December 31, 2019 and 2018 were as follows:

	2019	2018
Pledges due in:		
Less than one year	$ 93,852	$ 82,143
One to five years	144,212	140,733
	238,064	222,876
Less: allowance for uncollectible pledges	(15,716)	(15,097)
Less: discount to net present value	(7,753)	(7,801)
Net pledges receivable	$ 214,595	$ 199,978

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 147,279	$ 174,251
Accounts receivable	97,826	64,112
Pledges and grants receivable, net	202,033	152,056
Investments	1,750,326	1,563,989
Total financial assets	2,197,464	1,954,408
Less amounts not available to be used within one year:		
Net assets with donor restrictions	385,937	339,213
Endowment established by the board	439,345	385,431
Designated net assets	615,497	553,698
Less net assets with restrictions to be met in less than one year	(265,194)	(221,378)
	1,175,585	1,056,964
Financial assets available to meet general expenditures over the next twelve months	$ 1,021,879	$ 897,444

The Organization's goal is generally to maintain financial assets to meet 4 months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts and certificates of deposit.

NOTE 4. NOTES RECEIVABLE AND CONSTRUCTION ADVANCES

During 2005 and 2006 the Organization participated in the development of a real estate partnership known as EMP Limited Partnership (the Partnership). The Partnership has acquired and renovated office space and low income housing facilities for use by the Organization's staff and clients. The Organization has a .05% interest in the Partnership and has an option of obtaining the residual assets (real estate) of the Partnership in the year 2021.

In conjunction with the renovation and in consideration for the Organization's future use and potential acquisition of the real estate, the Organization has loaned and advanced money to the Partnership as follows:

	2019	2018
Note receivable from EMP Limited Partnership, non-interest bearing, principal due on December 31, 2035, secured by mortgage on property	$ 75,000	$ 75,000
Note receivable from EMP Limited Partnership, non-interest bearing, principal due on December 31, 2035, secured by mortgage on property	70,000	70,000
Note receivable from EMP Limited Partnership, annually compounded interest at 4.68%, principal and interest due on December 31, 2035, secured by mortgage on property (including accrued interest of $364,564 and $331,276, respectively)	744,564	711,276
	889,564	856,276
Less: loss reserve	(889,564)	(856,276)
	$ -	$ -

Management has established a loss reserve for the full amount of the notes receivable to the Partnership due to the Organization's subordinated position in the property and the potential contingency requiring the Organization to refund federal grants (source of funds borrowed to the Partnership) in the event the property owned by the Partnership ceases to be qualified low income housing.

NOTE 5. INVESTMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for when Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

Following is the description of the valuation methodologies used for investments measured at fair value at a recurring basis. There were no changes in the valuation methodologies.

- *Mutual funds:* Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.
- *Corporate bonds:* Valued on yield currently available on comparable securities of issues with similar credit ratings.
- *Mortgage back securities issued by federal agencies:* Valued using quoted market prices, recent marked transaction and spread data from similar instruments.
- *Beneficial interest in assets held by The Saint Paul Foundation (community foundation):* funds are invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. A substantial portion of the underlying assets at the foundation is measured at fair value using Level 1 and Level 2 inputs. Solid Ground's ownership in such investments is represented by an undivided interest in investment portfolios managed by the foundation, not in the underlying assets themselves. The undivided interests in these portfolios are not themselves publicly traded nor can they be valued based on observable direct or indirect inputs. Accordingly, they are reported as Level 3 measurements. See Note 13 for the change in value of these Level 3 investments.

A summary of the fair values of investments by type at December 31, 2019 and 2018 is as follows:

	2019	2018	
Mortgage backed securities issued by various federal government agencies	$ 896,073	$ 956,805	Level 2
Corporate bonds	232,845	110,376	Level 2
Mutual funds	80,994	53,059	Level 1
Cash and cash equivalents	101,069	58,318	Level 1
Beneficial interest in assets held by The Saint Paul Foundation	439,345	385,431	Level 3
Total investments	$ 1,750,326	$ 1,563,989	

NOTE 6. BORROWING ARRANGEMENT

The Organization maintains a credit card account of which they can borrow up to $15,000. For the year ended December 31, 2019, advances on this credit card accrued interest at rates up to 20.74% for the year ended December 31, 2019. There were outstanding advances on this credit card account of $7,894, which were included in the accounts payable balance as of December 31, 2019.

NOTE 7. RETIREMENT PLAN

The Organization offers to its employees a tax deferred 403(b) defined contribution plan. The plan covers all employees of the Organization. The Organization made $19,001 and $17,574 contributions to the plan to all eligible employees for the years ended December 31, 2019 and 2018, respectively.

NOTE 8. IN-KIND CONTRIBUTIONS

The Organization recognized in-kind contributions for the years ended December 31, 2019 and 2018 of the following:

	2019	2018
Contributed:		
Printing	$ 450	$ 250
Rents	75,260	75,260
	$ 75,710	$ 75,510

The Organization utilizes office facilities for its transitional housing programs owned by EMP Limited Partnership and the Washington County HRA. Fair market rents valued at $75,260 have been recorded by management for 2019 and 2018, based upon the prevailing local real estate rates for similar properties.

The Organization's success is also based in part by individuals who contributed approximately 6,684 and 5,921 hours of volunteer service for the years ended December 31, 2019 and 2018, respectively. The accompanying financial statements do not reflect the value of these volunteer services.

NOTE 9. LEASE COMMITMENTS

The Organization leases certain office equipment under various non-cancelable operating leases expiring through September 2024. Total rent expense on the office equipment leases reflected in the Organization's activities amounted to $5,388 and $3,960 for the years ended December 31, 2019 and 2018, respectively.

NOTE 9. LEASE COMMITMENTS (continued)

Future minimum lease payments on the office equipment operating leases at December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	$ 10,545
2021	9,636
2022	6,909
2023	6,660
2024	5,509
	$ 39,259

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2019 and 2018:

	2019	2018
Purpose restricted:		
Youth	$ 2,000	$ 6,046
Program restricted	210,179	192,529
Direct assistance	1,313	900
Education scholarship	3,290	3,290
Leasehold improvement	45,382	16,113
Time restricted - pledges	120,773	120,335
	$ 382,937	$ 339,213

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Satisfaction of Purpose Restrictions:		
Youth	$ 6,046	$ 16,640
Program restricted	108,238	119,632
Direct assistance	489	1,863
Leasehold improvement	16,112	68,500
Time restricted - pledges	67,762	44,242
	$ 198,647	$ 250,877

NOTE 11. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consisted of the following at December 31, 2019 and 2018:

	2019	2018
Operating reserve	$ 554,287	$ 506,968
Unemployment trust	7,210	(7,270)
Landlord mitigation fund	54,000	54,000
Board-designated endowment fund	439,345	385,431
	$ 1,054,842	$ 939,129

NOTE 12. BOARD-DESIGNATED ENDOWMENT FUND

The Organization's board of directors approved a resolution to establish the Solid Ground Endowment Fund ("Fund") as a board-designated endowment fund. According to the resolution the purpose of the endowment is to secure long term and stable support for the Organization; enhance the Organization's ability to carry out its exempt purposes to prevent and end homelessness; provide donors with an additional way to give to the Organization; and to provide funds to improve the Organization's facilities and services.

Beneficial interest in assets held by The Saint Paul Foundation:

During 2015 the Organization transferred $250,000 of its unrestricted net assets to The Saint Paul Foundation ("Foundation"). According to the Organization's *Agreement Establishing the Solid Ground Fund under the Plan for the Saint Paul Foundation* ("Agreement"), the Saint Paul Foundation will administer the Fund and has ultimate authority and control over the Fund and all distributions from the Fund. The Saint Paul Foundation will distribute to Solid Ground the Fund's net income or principal or both as determined by the spending policy adopted by The Saint Paul Foundation. Upon the request of Solid Ground, The Saint Paul Foundation may, in its discretion, distribute principal of the Fund to Solid Ground. It is the general intent of the Agreement that the Fund be administered as an endowment fund except to the extent The Saint Paul Foundation determines that the long-term interests of Solid Ground and the community would be better served by a distribution of principal from the Fund.

The Foundation's Investment and Spending Policies:

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

NOTE 12. BOARD-DESIGNATED ENDOWMENT FUND (continued)

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic equities, international equities, private capital, fixed income, real assets and absolute return strategies. The majority of assets are invested in equity or equity like securities. Fixed income, real assets and absolute return strategies are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than the Foundation's spending policy payout rate plus inflation over long periods of time.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes donor advised, nonprofit, designated, scholarship, community, field of interest and unrestricted. The current spending policy is to distribute an amount equal to 5.25% of a moving twenty-one quarter average but not less than 4.5% or greater than 6.0% of current market value. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets and seek to maximize the amount available to meet the charitable needs of communities.

Changes in the beneficial interest in assets held by The Saint Paul Foundation for the year ending December 31, 2019 and 2018, respectively, consist of the following:

	2019	2018
Beginning of the year	$ 385,431	$ 408,637
Investment return:		
Investment income	8,507	6,982
Net appreciation (depreciation), realized and unrealized	51,454	(24,541)
Investment expenses	(6,047)	(5,647)
Grants distributed	(15,648)	(14,752)
Transfers per board of directors' resolution:		
Grant distribution reinvested	15,648	14,752
End of the year	$ 439,345	$ 385,431