

SOLID GROUND
AUDITED FINANCIAL STATEMENTS
December 31, 2020

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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, 2020, and the related statements of activities, cash flows and functional expenses for the year 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, 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.

Report on Summarized Comparative Information

We have previously audited Solid Ground's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Harrington Langer & Associates

March 2, 2021

SOLID GROUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 96,905	\$ 147,279
Investments	2,932,860	1,310,981
Accounts receivable	108,351	97,826
Grants receivable	190,500	108,181
Current portion of pledges receivable	91,540	93,852
Prepaid expenses and deposits	75,238	53,546
TOTAL CURRENT ASSETS	3,495,394	1,811,665
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	267,675	228,523
Vehicles	20,000	20,000
Furniture and equipment	154,977	151,757
Less: accumulated depreciation	(249,778)	(227,196)
TOTAL PROPERTY AND EQUIPMENT, net	192,874	173,084
OTHER ASSETS		
Investments - beneficial interest in assets held by The Saint Paul Foundation	474,182	439,345
Pledges receivable, net of current portion, discounts and and allowances of \$25,504 and \$23,469, respectively	175,199	120,743
Notes receivable and construction advances, less loss reserves of \$924,564 and \$889,564 for the years ended December 31, 2020 and 2019, respectively	-	-
TOTAL OTHER ASSETS	649,381	560,088
TOTAL ASSETS	\$ 4,337,649	\$ 2,544,837

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 63,601</u>	<u>\$ 72,527</u>
NET ASSETS		
Without donor restrictions		
Board designated	1,158,546	1,054,842
Undesignated	<u>2,540,530</u>	<u>1,034,531</u>
Total without donor restrictions	3,699,076	2,089,373
With donor restrictions	<u>574,972</u>	<u>382,937</u>
TOTAL NET ASSETS	<u>4,274,048</u>	<u>2,472,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,337,649</u></u>	<u><u>\$ 2,544,837</u></u>

SOLID GROUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
REVENUE AND SUPPORT				
Corporate and foundation grants	\$ 1,894,428	\$ 93,342	\$ 1,987,770	\$ 439,250
Contributions	215,762	100,000	315,762	147,036
United Way support	160,500	-	160,500	138,358
Government grants	437,964	189,000	626,964	531,258
Special event, net of direct expenses of \$11,022 and \$36,703, respectively	139,465	97,151	236,616	343,753
Program services and other	72,949	-	72,949	93,285
Investment income, net	143,135	-	143,135	141,965
In-kind contributions	81,968	-	81,968	75,710
Net assets released from restrictions	287,458	(287,458)	-	-
TOTAL REVENUE AND SUPPORT	3,433,629	192,035	3,625,664	1,910,615
EXPENSES				
Program services	1,634,191	-	1,634,191	1,528,127
Management and general	65,580	-	65,580	63,258
Fundraising	124,155	-	124,155	100,360
TOTAL EXPENSES	1,823,926	-	1,823,926	1,691,745
CHANGE IN NET ASSETS	1,609,703	192,035	1,801,738	218,870
NET ASSETS, BEGINNING	2,089,373	382,937	2,472,310	2,253,440
NET ASSETS, ENDING	\$ 3,699,076	\$ 574,972	\$ 4,274,048	\$ 2,472,310

SOLID GROUND
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,801,738	\$ 218,870
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,117	44,888
Donated securities	(1,255,788)	(3,230)
Bad debt on notes receivable	35,000	33,288
Accrued interest on pledges and notes receivable	(35,000)	(33,288)
Interest and dividends reinvested	(49,572)	(46,506)
Unrealized and realized investment (gains) losses, net	(51,356)	(61,602)
PPP loan forgiveness	(125,000)	-
Decrease (increase) in:		
Accounts and grants receivable	(92,844)	(71,982)
Pledges receivable	(52,144)	(14,617)
Prepaid expenses and deposits	(21,692)	(28,937)
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,926)	21,084
NET CASH PROVIDED BY OPERATING ACTIVITIES	176,533	57,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(51,907)	(9,940)
Purchase of investments	(325,000)	(90,648)
Proceeds from sale of investments	25,000	15,648
NET CASH USED IN INVESTING ACTIVITIES	(351,907)	(84,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance of PPP Loan	125,000	-
DECREASE IN CASH AND CASH EQUIVALENTS	(50,374)	(26,972)
CASH AND CASH EQUIVALENTS, BEGINNING	147,279	174,251
CASH AND CASH EQUIVALENTS, ENDING	\$ 96,905	\$ 147,279

SOLID GROUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	East Metro Place	Home again & Home Safe	Home Front	Homework Starts with Home	Total Program Services	Management and General	Fund- raising	Total 2020	Total 2019
Salaries	\$ 507,467	\$ 230,565	\$ 74,925	\$ 143,814	\$ 956,771	\$ 41,207	\$ 71,970	\$ 1,069,948	958,381
Payroll taxes	40,513	16,696	5,168	10,610	72,987	3,085	5,383	81,455	71,471
Fringe benefits	59,081	22,131	9,442	13,235	103,889	1,519	4,800	110,208	102,926
Workers compensation	5,569	2,319	602	1,296	9,786	280	581	10,647	10,460
Total personnel expenses	612,630	271,711	90,137	168,955	1,143,433	46,091	82,734	1,272,258	1,143,238
Professional services	4,509	2,015	615	2,320	9,459	8,364	1,072	18,895	10,304
Contract services	14,776	7,684	1,891	7,176	31,527	6,613	24,615	62,755	47,962
Family assistance accounts	18,896	20,257	2,796	52,867	94,816	-	-	94,816	85,589
Family development funds	-	2,811	-	-	2,811	-	-	2,811	-
Health and wellness program	22	-	-	-	22	-	-	22	3,485
Evaluation	4,732	2,365	1,075	4,300	12,472	-	-	12,472	11,409
Office and program supplies	2,162	879	198	529	3,768	93	159	4,020	5,687
Postage	601	260	71	160	1,092	34	322	1,448	3,188
Telephone and internet	8,124	4,907	1,643	1,932	16,606	439	946	17,991	14,819
Printing & publication	2,369	1,018	284	648	4,319	134	2,901	7,354	11,211
Vehicle maintenance	64	-	-	-	64	-	-	64	4,027
Travel, meetings, and moving	1,648	4,550	672	1,088	7,958	562	205	8,725	22,240
Staff and board development	4,245	1,334	573	988	7,140	90	559	7,789	8,559
Memberships	1,614	737	227	584	3,162	77	367	3,606	2,219
Insurance and licensing	11,406	6,280	1,989	3,489	23,164	766	1,606	25,536	22,666
Rent, utilities, and maintenance	6,324	2,505	669	1,399	10,897	342	737	11,976	12,834
In-kind rents	48,399	5,088	22,176	-	75,663	500	-	76,163	75,260
Leasing subsidies	-	100,857	-	6,925	107,782	-	-	107,782	89,685
Office and program equipment	4,835	1,148	189	509	6,681	617	36	7,334	11,099
Family and youth activities	4,709	178	81	324	5,292	-	-	5,292	26,267
Special events	-	-	-	-	-	-	11,022	11,022	36,703
Depreciation	27,896	1,262	449	1,456	31,063	858	196	32,117	44,888
Bad debts	-	-	-	-	-	-	7,700	7,700	1,480
Loan loss reserve	35,000	-	-	-	35,000	-	-	35,000	33,288
Community outreach	-	-	-	-	-	-	-	-	341
Total Expenses by Function	814,961	437,846	125,735	255,649	1,634,191	65,580	135,177	1,834,948	1,728,448
Less expenses included with revenues on the statement of of activities									
Special events	-	-	-	-	-	-	(11,022)	(11,022)	(36,703)
Total expenses	\$ 814,961	\$ 437,846	\$ 125,735	\$ 255,649	\$ 1,634,191	\$ 65,580	\$ 124,155	\$ 1,823,926	\$ 1,691,745

SOLID GROUND
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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019, the Organization had conditional promises to give of approximately \$929,928 and \$453,400, 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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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 a 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, 2020 and 2019 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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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.

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, 2019, 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 2, 2021, the date the financial statements were available to be issued.

COVID-19:

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 2. PLEDGES RECEIVABLE

Outstanding pledge contributions from various foundations and individuals at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Pledges due in:		
Less than one year	\$ 91,540	\$ 93,852
One to five years	<u>200,703</u>	<u>144,212</u>
	292,243	238,064
Less: allowance for uncollectible pledges	(17,079)	(15,716)
Less: discount to net present value	<u>(8,425)</u>	<u>(7,753)</u>
Net pledges receivable	<u>\$ 266,739</u>	<u>\$ 214,595</u>

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 96,905	\$ 147,279
Accounts receivable	108,351	97,826
Pledges and grants receivable, net	282,040	202,033
Investments	<u>3,407,042</u>	<u>1,750,326</u>
Total financial assets	<u>3,894,338</u>	<u>2,197,464</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	574,972	385,937
Endowment established by the board	474,182	439,345
Designated net assets	684,364	615,497
Less net assets with restrictions to be met in less than one year	<u>(399,773)</u>	<u>(265,194)</u>
	<u>1,333,745</u>	<u>1,175,585</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,560,593</u>	<u>\$ 1,021,879</u>

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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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:

	2020	2019
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)	 <u>779,564</u>	 <u>744,564</u>
	924,564	889,564
Less: loss reserve	<u>(924,564)</u>	<u>(889,564)</u>
	<u>\$ -</u>	<u>\$ -</u>

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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019 is as follows:

	2020	2019	
Mortgage backed securities issued by various federal government agencies	\$ 615,547	\$ 896,073	Level 2
Corporate bonds	1,113,514	232,845	Level 2
Mutual funds	82,540	80,994	Level 1
Cash and cash equivalents	1,121,259	101,069	Level 1
Beneficial interest in assets held by The Saint Paul Foundation	474,182	439,345	Level 3
Total investments	\$ 3,407,042	\$ 1,750,326	

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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, 2020, advances on this credit card accrued interest at rates up to 19.24% for the year ended December 31, 2020. There were outstanding advances on this credit card account of \$6,747, which were included in the accounts payable balance as of December 31, 2020.

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 \$20,546 and \$19,001 contributions to the plan to all eligible employees for the years ended December 31, 2020 and 2019, respectively.

NOTE 8. IN-KIND CONTRIBUTIONS

The Organization recognized in-kind contributions for the years ended December 31, 2020 and 2019 of the following:

	2020	2019
Contributed:		
Printing	\$ 500	\$ 450
Rents	76,163	75,260
	\$ 76,663	\$ 75,710

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 \$75,163 have been recorded by management for 2020 and 2019, 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 3,657 and 6,684 hours of volunteer service for the years ended December 31, 2020 and 2019, 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 \$10,545 and \$5,388 for the years ended December 31, 2020 and 2019, respectively.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASE COMMITMENTS (continued)

Future minimum lease payments on the office equipment operating leases at December 31, 2020 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2021	\$ 10,545
2020	9,636
2023	6,909
2024	<u>6,660</u>
	<u><u>\$ 33,750</u></u>

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Youth	\$ 6,133	\$ 2,000
Program restricted	137,305	210,179
Direct assistance	62,045	1,313
Education scholarship	3,290	3,290
Leasehold improvement	189,000	45,382
Time restricted - pledges	<u>177,199</u>	<u>120,773</u>
	<u><u>\$ 574,972</u></u>	<u><u>\$ 382,937</u></u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions:		
Youth	\$ 12,000	\$ 6,046
Program restricted	150,939	108,238
Direct assistance	8,811	489
Leasehold improvement	45,381	16,112
Time restricted - pledges	<u>70,327</u>	<u>67,762</u>
	<u><u>\$ 287,458</u></u>	<u><u>\$ 198,647</u></u>

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 11. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consisted of the following at December 31, 2020 and 2019:

	2020	2019
Operating reserve	\$ 611,434	\$ 554,287
Unemployment trust	18,930	7,210
Landlord mitigation fund	54,000	54,000
Board-designated endowment fund	474,182	439,345
	\$ 1,158,546	\$ 1,054,842

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.

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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, 2020 and 2019, respectively, consist of the following:

	<u>2020</u>	<u>2019</u>
Beginning of the year	\$ 439,345	\$ 385,431
Investment return:		
Investment income	6,685	8,507
Net appreciation (depreciation), realized and unrealized	33,870	51,454
Investment expenses	(5,718)	(6,047)
Grants distributed	-	(15,648)
Transfers per board of directors' resolution:		
Grant distribution reinvested	-	15,648
End of the year	<u>\$ 474,182</u>	<u>\$ 439,345</u>

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NOTE 13. PPP FUNDING

The Organization was granted a \$125,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization originally recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$125,000 as revenue for the year ended December 31, 2020.