

SOLID GROUND
AUDITED FINANCIAL STATEMENTS
December 31, 2021

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, CPA



Gregory W. Heck, CPA, CVA
Greg L. Emmerich, CPA
Michael Belknap, CPA
Benjamin J. Roff, CPA, CVA
Steve Schurhamer, CPA

563 PHALEN BOULEVARD • ST. PAUL, MN 55130
phone 651.481.1128 • fax 651.481.0982

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

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, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Solid Ground as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 3 to the financial statements, the Organization reports its investment in EMP Limited Partnership, a wholly owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of EMP Limited Partnership had been consolidated with those of Solid Ground, total assets and total liabilities would be increased by \$3,802,036 and \$3,308,974, respectively, as of December 31, 2021, and revenues and expenses would be increased by \$660,368 and \$684,961 respectively, for the year then ended.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Solid Ground and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Adjustments

As discussed in Note 14 to the financial statements, prior period adjustments were made to remove leasehold improvements and the related accumulated depreciation and depreciation expense, record partnership interest in EMP Limited Partnership, and record a forgivable grant and loan in the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Solid Ground's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Solid Ground's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Solid Ground's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Solid Ground's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Langer & Associates

March 21, 2022

SOLID GROUND
STATEMENT OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 225,923	\$ 96,905
Investments	2,829,478	2,932,860
Accounts receivable	19,164	22,230
Contributions receivable	340,986	276,621
Current portion of promises to give	84,001	91,540
Prepaid expenses and deposits	111,509	75,238
TOTAL CURRENT ASSETS	3,611,061	3,495,394
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	67,026	58,454
Vehicles	-	20,000
Furniture and equipment	199,143	154,977
Less: accumulated depreciation	(180,348)	(189,453)
TOTAL PROPERTY AND EQUIPMENT, net	85,821	43,978
OTHER ASSETS		
Investments - beneficial interest in assets held by The Saint Paul Foundation	567,070	474,182
Interest in EMP Limited Partnership	493,062	284,312
Promises to give, net of current portion, discounts and and allowances of \$37,795 and \$25,504, respectively	173,873	175,199
Notes receivable and construction advances, less loss reserves of \$959,564 and \$924,564 for the years ended December 31, 2021 and 2020, respectively	-	-
TOTAL OTHER ASSETS	1,234,005	933,693
TOTAL ASSETS	\$ 4,930,887	\$ 4,473,065

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 82,508	\$ 63,601
LONG-TERM LIABILITIES		
Forgiveable grant and loan payable	<u>152,000</u>	<u>190,000</u>
TOTAL LIABILITIES	<u>234,508</u>	<u>253,601</u>
NET ASSETS		
Without donor restrictions		
Board designated	3,418,212	1,158,546
Undesignated	-	2,201,634
Interest in EMP Limited Partnership	<u>493,062</u>	<u>284,312</u>
Total without donor restrictions	3,911,274	3,644,492
With donor restrictions	<u>785,105</u>	<u>574,972</u>
TOTAL NET ASSETS	<u>4,696,379</u>	<u>4,219,464</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,930,887</u></u>	<u><u>\$ 4,473,065</u></u>

SOLID GROUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
REVENUE AND SUPPORT				
Corporate and foundation grants	\$ 378,618	\$ 505,893	\$ 884,511	\$ 1,987,770
Contributions	223,094	76,710	299,804	315,762
United Way support	158,900	-	158,900	160,500
Government grants and contributions	521,478	-	521,478	674,631
Special event, net of direct expenses of \$26,421 and \$11,022, respectively	379,530	-	379,530	236,616
Program services and other	63,633	-	63,633	72,949
Investment income, net	198,851	-	198,851	143,135
In-kind contributions	81,998	-	81,998	81,968
Net assets released from restrictions	372,470	(372,470)	-	-
	<u>2,378,572</u>	<u>210,133</u>	<u>2,588,705</u>	<u>3,673,331</u>
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program services	1,871,650	-	1,871,650	1,613,427
Management and general	85,306	-	85,306	65,580
Fundraising	174,584	-	174,584	124,155
	<u>2,131,540</u>	<u>-</u>	<u>2,131,540</u>	<u>1,803,162</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS before partnership interests	247,032	210,133	457,165	1,870,169
Assignment of limited partnership interest in EMP Limited Partnership	1,306,492	-	1,306,492	-
Assignment of general partnership interest in EMP Limited Partnership	(1,260,955)	-	(1,260,955)	-
Net loss from the Partnership	(25,787)	-	(25,787)	-
	<u>266,782</u>	<u>210,133</u>	<u>476,915</u>	<u>1,870,169</u>
CHANGE IN NET ASSETS				
NET ASSETS, BEGINNING, as originally stated	3,699,076	574,972	4,274,048	2,472,310
Prior period adjustments	(54,584)	-	(54,584)	(123,015)
NET ASSETS, BEGINNING, restated	<u>3,644,492</u>	<u>574,972</u>	<u>4,219,464</u>	<u>2,349,295</u>
	<u>\$ 3,911,274</u>	<u>\$ 785,105</u>	<u>\$ 4,696,379</u>	<u>\$ 4,219,464</u>
NET ASSETS, ENDING				

SOLID GROUND
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 457,165	\$ 1,870,169
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,887	11,353
Donated securities	-	(1,255,788)
Bad debt on notes receivable	35,000	35,000
Accrued interest notes receivable	(35,000)	(35,000)
Interest and dividends reinvested	(90,728)	(49,572)
Unrealized and realized investment (gains) losses, net	(67,154)	(51,356)
Grant and loans payable forgiveness	(38,000)	(172,667)
Decrease (increase) in:		
Accounts and contributions receivable	(61,299)	(92,844)
Promises to give receivable	8,865	(52,144)
Prepaid expenses and deposits	(36,271)	(21,692)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,907	(8,926)
NET CASH PROVIDED BY OPERATING ACTIVITIES	211,372	176,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(62,354)	(20,362)
Purchase of investments	(150,000)	(325,000)
Contributions to EMP Limited Partnership	(189,000)	(31,545)
Proceeds from sale of investments	319,000	25,000
NET CASH USED IN INVESTING ACTIVITIES	(82,354)	(351,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance of PPP Loan	-	125,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	129,018	(50,374)
CASH AND CASH EQUIVALENTS, BEGINNING	96,905	147,279
CASH AND CASH EQUIVALENTS, ENDING	\$ 225,923	\$ 96,905

SOLID GROUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	East Metro Place	Home Again & Home Safe	Home Front	Home2Stay	Homework Starts with Home	Total Program Services	Management and General	Fund- raising	Total 2021	Total 2020
Salaries	\$ 446,734	\$ 204,681	\$ 76,673	\$ 98,043	\$ 252,984	\$ 1,079,115	\$ 60,474	\$ 126,625	\$ 1,266,214	1,069,948
Payroll taxes	31,069	14,503	5,440	7,214	18,998	77,224	4,577	9,525	91,326	81,455
Fringe benefits	40,712	18,592	10,139	4,754	24,272	98,469	5,060	6,421	109,950	110,208
Workers compensation	5,475	2,157	738	389	2,662	11,421	254	483	12,158	10,647
Total personnel expenses	523,990	239,933	92,990	110,400	298,916	1,266,229	70,365	143,054	1,479,648	1,272,258
Professional services	12,849	2,946	1,208	1,582	8,514	27,099	1,620	1,246	29,965	18,895
Contract services	24,509	4,990	1,789	1,736	12,137	45,161	7,519	19,080	71,760	62,755
Family assistance accounts	21,146	26,071	2,660	11,632	18,738	80,247	95	7	80,349	94,816
Family development funds	-	-	-	-	-	-	-	-	-	2,811
Health and wellness program	-	-	-	-	-	-	-	-	-	22
Evaluation	5,797	2,940	1,317	251	5,542	15,847	-	-	15,847	12,472
Office and program supplies	3,501	984	387	460	2,008	7,340	-	300	7,640	4,020
Postage	564	139	54	67	289	1,113	-	84	1,197	1,448
Telephone and internet	10,064	4,019	1,259	1,476	6,092	22,910	506	824	24,240	17,991
Printing & publication	1,641	545	211	218	1,058	3,673	107	2,390	6,170	7,354
Vehicle maintenance	-	-	-	-	-	-	21	-	21	64
Travel, meetings, and moving	2,131	2,472	446	426	4,464	9,939	180	184	10,303	8,725
Staff and board development	3,643	1,227	266	248	1,764	7,148	90	416	7,654	7,789
Memberships	2,136	654	264	173	1,204	4,431	78	124	4,633	3,606
Insurance and licensing	13,084	4,931	1,492	654	4,865	25,026	856	1,608	27,490	25,536
Rent, utilities, and maintenance	11,814	3,259	1,305	1,628	7,079	25,085	2,617	1,350	29,052	11,976
In-kind rents	48,328	-	22,248	-	-	70,576	-	-	70,576	76,163
Leasing subsidies	3,682	162,272	150	28,520	1,290	195,914	-	-	195,914	107,782
Office and program equipment	3,866	1,001	311	545	1,678	7,401	1,140	112	8,653	7,334
Family and youth activities	4,580	118	49	55	263	5,065	34	42	5,141	5,292
Special events	-	-	-	-	-	-	-	26,421	26,421	11,022
Depreciation	9,993	1,653	666	721	3,413	16,446	78	3,363	19,887	11,353
Bad debts	-	-	-	-	-	-	-	400	400	7,700
Loan loss reserve	35,000	-	-	-	-	35,000	-	-	35,000	35,000
Total Expenses by Function	742,318	460,154	129,072	160,792	379,314	1,871,650	85,306	201,005	2,157,961	1,814,184
Less expenses included with revenues on the statement of of activities										
Special events	-	-	-	-	-	-	-	(26,421)	(26,421)	(11,022)
Total expenses	\$ 742,318	\$ 460,154	\$ 129,072	\$ 160,792	\$ 379,314	\$ 1,871,650	\$ 85,306	\$ 174,584	\$ 2,131,540	\$ 1,803,162

See notes to financial statements

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 transactions, 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. State and county grants and contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2021 and 2020, the Organization had conditional promises to give of approximately \$560,684 and \$929,928, 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)

Accounts Receivable and Contributions Receivable:

Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. 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, 2021 and 2020 management provided no allowance for doubtful accounts.

Promises to Give:

Promises to give 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. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The Organization uses the allowance method to determine uncollectible promises to give based on prior years' experience and management's analysis.

Outstanding promises to give from various individuals at December 31, 2021 and 2020 were as follows:

	2021	2020
Promises to give due in:		
Less than one year	\$ 84,001	\$ 91,540
One to five years	211,668	200,703
	295,669	292,243
Less: allowance for uncollectible promises	(25,310)	(17,079)
Less: discount to net present value	(12,485)	(8,425)
Net promises to give	\$ 257,874	\$ 266,739

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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

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

Income Taxes:

Solid Ground has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes. The Organization is classified as an 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.

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.

Reclassifications:

Certain reclassifications may have been made in the prior year's amounts to conform with current year statement presentation.

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, 2020, 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 21, 2022, the date the financial statements were available to be issued.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 225,923	\$ 96,905
Accounts receivable	19,164	22,230
Contributions receivable	340,986	276,621
Promises to give, net	257,874	266,739
Investments	<u>3,396,548</u>	<u>3,407,042</u>
Total financial assets	<u>4,240,495</u>	<u>4,069,537</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	785,105	574,972
Endowment established by the board	567,070	474,182
Designated net assets	2,851,142	684,364
Long term promises to give, net	173,873	175,199
Less net assets with restrictions to be met in less than one year		
Net assets with donor restrictions	(785,105)	(574,972)
Board operating reserve	<u>(1,032,165)</u>	<u>(611,434)</u>
	<u>2,559,920</u>	<u>722,311</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,680,575</u></u>	<u><u>\$ 3,347,226</u></u>

The Organization's goal is generally to maintain financial assets to meet 4-6 months of operating expenses. As part of its liquidity plan, excess cash is invested.

NOTE 3. PARTNERSHIP INTEREST IN EMP LIMITED PARTNERSHIP

During 2005 and 2006 the Organization participated in the development of a real estate partnership known as EMP Limited Partnership (the Partnership). The Partnership acquired and renovated office space and low income housing facilities for use by the Organization's staff and clients. Solid Ground was a Co-General Partner in the Partnership and owned a .05% interest.

Effective May 1, 2021, the Limited Partners assigned their 99.9% interest in the Partnership to Solid Ground EMP LLC, for consideration outlined in the Assignment of Limited Partner Interest agreement. Solid Ground EMP LLC, is a Minnesota limited liability company, wholly owned by Solid Ground. Effective December 31, 2021, DDC EMP, LLC (a Co-General Partner in the Partnership) assigned their .05% interest to Solid Ground, for consideration outlined in the Assignment of General Partnership Interest agreement.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PARTNERSHIP INTEREST IN EMP LIMITED PARTNERSHIP (continued)

The ownership of the Partnership as of December 31, 2021 is as follows:

General partner - .01% Solid Ground
Limited partner - 99.99% Solid Ground EMP, LLC

These ownership interests have been accounted for using the equity method in the accompanying financial statements.

NOTE 4. NOTES RECEIVABLE AND CONSTRUCTION ADVANCES

In conjunction with the renovation, the Organization has loaned and advanced money to the Partnership as follows:

	2021	2020
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 \$434,564 and \$399,564, respectively)	 814,564	 779,564
	959,564	924,564
Less: loss reserve	(959,564)	(924,564)
	\$ -	\$ -

Management 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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (continued)

A summary of the fair values of investments by type at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	
Mortgage backed securities issued by various federal government agencies	\$ 647,119	\$ 615,547	Level 2
Corporate bonds	1,652,180	1,113,514	Level 2
Mutual funds	287,702	82,540	Level 1
Cash and cash equivalents	242,477	1,121,259	Level 1
Beneficial interest in assets held by The Saint Paul Foundation	<u>567,070</u>	<u>474,182</u>	Level 3
Total investments	<u>\$3,396,548</u>	<u>\$3,407,042</u>	

NOTE 6. BORROWING ARRANGEMENT

The Organization maintains two credit card accounts of which they can borrow up to \$48,800. Advances on the credit card accrued interest at rates from 2.99% up to 19.24% for the year ended December 31, 2021. There were outstanding advances on these credit card accounts of \$2,668, which were included in the accounts payable balance as of December 31, 2021.

NOTE 7. FORGIVABLE GRANT AND LOANS PAYABLE

The Organization received a capital grant from the U.S. Department of Housing and Urban Development (HUD) in 2004 with a principal amount of \$380,000. This grant has a restrictive use covenant that is to be forgiven twenty years from the date of the occupancy as long as designated property continues to be used as specified in the grant. If default occurs within ten years from the date of the initial occupancy, then the full amount of the grant must be repaid. If default occurs between ten years from the date of the grant and twenty years from the date of the grant, then the full amount of the grant less ten percent thereof for each full year after the first ten years of the grant shall be repaid. The Organization is recognizing the forgiveness of this grant over years 11-20. During the years ended December 31, 2021 and 2020, the Organization included \$38,000 for both years as government grants and contribution income in connection with the forgiveness of this grant. As of December 31, 2021 and 2020, the remaining balance of this loan is \$152,000 and \$190,000 respectively.

The Organization entered into a zero interest loan to the Affordable Housing Program (AHP) in June 2003 with a principal balance of \$70,000. This loan was to be forgiven 15 years after November 2005 which was when the Project was substantially completed. During the year ended December 31, 2020, the Organization included \$9,667 as government grants and contribution income in connection with the forgiveness of this loan. As of the December 31, 2020 the remaining balance on this loans is \$0.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 7. FORGIVABLE GRANT AND LOANS PAYABLE (continued)

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.

NOTE 8. IN-KIND CONTRIBUTIONS

The Organization recognized in-kind contributions for the years ended December 31, 2021 and 2020 of the following:

	2021	2020
Contributed:		
Printing	\$ -	\$ 50
Consulting & investment expense	-	6,255
Property and equipment - water heater	11,400	-
Rents	70,598	75,663
	\$ 81,998	\$ 81,968

The Organization utilizes office facilities for its transitional housing programs owned by EMP Limited Partnership and Sherman Associates. Fair market rents have been recorded by management for 2021 and 2020, 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 3,349 and 3,657 hours of volunteer service for the years ended December 31, 2021 and 2020, respectively. The accompanying financial statements do not reflect the value of these volunteer services.

NOTE 9. LEASE COMMITMENTS

The Organization currently leases office space, a vehicle, and office equipment under operating leases that expire October 2024. Total rent expense on the leases amounted to \$25,340 and \$10,545 for the years ended December 31, 2021 and 2020, respectively.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASE COMMITMENTS (continued)

Future minimum lease obligations on these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 32,128
2023	37,201
2024	<u>17,644</u>
	<u>\$ 86,973</u>

NOTE 10. 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 \$20,511 and \$20,546 contributions to the plan to all eligible employees for the years ended December 31, 2021 and 2020, respectively.

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Youth	\$ 5,377	\$ 6,133
Program restricted	375,153	326,305
Direct assistance	93,079	62,045
Educational scholarships	3,290	3,290
Time restricted - pledges	<u>308,206</u>	<u>177,199</u>
	<u>\$ 785,105</u>	<u>\$ 574,972</u>

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions:		
Youth	\$ 7,768	\$ 12,000
Program restricted	272,540	196,320
Direct assistance	13,627	8,811
Time restricted - pledges	<u>78,535</u>	<u>70,327</u>
	<u>\$ 372,470</u>	<u>\$ 287,458</u>

NOTE 12. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating reserve	\$ 1,032,165	\$ 611,434
Day One Fund	1,086,415	-
Affordable housing project	700,000	-
Unemployment trust	32,562	18,930
Landlord mitigation fund	-	54,000
Board-designated endowment fund	<u>567,070</u>	<u>474,182</u>
	<u>\$ 3,418,212</u>	<u>\$ 1,158,546</u>

NOTE 13. 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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 13. BOARD-DESIGNATED ENDOWMENT FUND (continued)

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.

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.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 13. BOARD-DESIGNATED ENDOWMENT FUND (continued)

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, 2021 and 2020, respectively, consist of the following:

	2021	2020
Beginning of the year	\$ 474,182	\$ 439,345
Investment return:		
Investment income	12,149	6,685
Net appreciation, realized and unrealized	86,977	33,870
Investment expenses	(6,238)	(5,718)
End of the year	\$ 567,070	\$ 474,182

NOTE 14. ERROR CORRECTIONS

The statement of activities and changes in net assets has been restated to correct for three errors: to remove leasehold improvements recorded on the Organization's financial statements that are also recorded in EMP Limited Partnership's financial statements, to record the partnership interest in EMP Limited Partnership (Note 3), and to record a forgivable government grant and loan (Note 7).

In previously issued financial statements, the Organization recorded certain payments made to the EMP Limited Partnership as leasehold improvements, which were being depreciated. EMP Limited Partnership was recording these payments in the capital account of Solid Ground. Correcting this error resulted in a decrease in leasehold improvements of \$209,221, increase of accumulated depreciation of \$39,561, and a decrease in depreciation expense of \$20,764 in the December 31, 2020 financials statements.

Also in previously issued financials statements, the Organization did not record its partnership interest in EMP Limited Partnership. The Organization has recorded this interest using the equity method for \$284,312 as of December 31, 2020.

SOLID GROUND
NOTES TO FINANCIAL STATEMENTS

NOTE 14. ERROR CORRECTIONS (continued)

Lastly, the Organization recorded a forgivable grant and loan (Note 7) it received in connection with the acquisition and renovation office space of the EMP Limited Partnership.

The impact of these modifications and reclassifications on the 2020 net assets is summarized below:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Balance, December 31, 2020	\$ 3,699,076	\$ 574,972	\$ 4,274,048
Record interest in EMP Limited Partnership	284,312	-	284,312
Remove leasehold improvements and accumulated depreciation, net	(169,660)	-	(169,660)
Record forgivable grants	(237,667)	-	(237,667)
Record government grant contributions for forgiven portion of grants	47,667	-	47,667
Remove depreciation	20,764	-	20,764
Balance, December 31, 2020 as restated	<u>\$ 3,644,492</u>	<u>\$ 574,972</u>	<u>\$ 4,219,464</u>