MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mount Olivet Rolling Acres, Inc.
Chanhassen, Minnesota

We have audited the accompanying consolidated financial statements of Mount Olivet Rolling Acres, Inc. (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated 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 Corporation'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Mount Olivet Rolling Acres, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Olivet Rolling Acres, Inc. as of December 31, 2018 and 2017, and its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As described in Note 1, the Company adopted the Financial Accounting Standards Board (FASB), Accounting Standards Update (ASU) 2016-04, Not-For-Profit (Topic 958); *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used except as it relates to the consolidated statement of functional expenses. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 1, 2019

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,472,937	$ 655,969
Resident Funds	130,464	130,993
Accounts Receivable	1,854,617	1,671,404
Contributions Receivable	8,660	69,402
Prepaid Expenses	78,985	139,723
Total Current Assets	3,545,663	2,667,491
NONCURRENT ASSETS		
Property and Equipment, Net	7,417,107	6,602,454
Investments	1,588,627	1,667,212
Total Noncurrent Assets	9,005,734	8,269,666
Total Assets	$ 12,551,397	$ 10,937,157
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 327,633	$ 297,803
Accounts Payable	1,146,602	803,995
Due to Residents	130,464	130,993
Accrued Payroll and Paid Personal Leave	1,202,157	941,042
Other Accrued Expenses and Deferred Revenue	2,769,178	2,278,980
Total Current Liabilities	5,576,034	4,452,813
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Maturities	2,667,934	2,239,561
Total Liabilities	8,243,968	6,692,374
NET ASSETS		
Without Donor Restrictions	4,239,189	4,170,517
With Donor Restrictions	68,240	74,266
Total Net Assets	4,307,429	4,244,783
Total Liabilities and Net Assets	$ 12,551,397	$ 10,937,157

See accompanying Notes to Consolidated Financial Statements.

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE						
Resident Services	$ 13,558,407	$ -	$ 13,558,407	$ 13,389,981	$ -	$ 13,389,981
Resident Services - Prior Year Modification	(35,068)	-	(35,068)	5,278	-	5,278
Other Community Services	16,926,213	-	16,926,213	10,144,407	-	10,144,407
Other Community Services - Prior Year Modification	-	-	-	(5,575)	-	(5,575)
Sale of License	-	-	-	200,000	-	200,000
Investment Income (Loss)	(30,772)	(2,452)	(33,224)	154,384	11,048	165,432
Rental Income	87,840	-	87,840	32,640	-	32,640
Total Revenue	30,506,620	(2,452)	30,504,168	23,921,115	11,048	23,932,163
SUPPORT						
Contributions	436,608	-	436,608	265,290	-	265,290
Special Activities	141,166	-	141,166	153,678	-	153,678
Appropriation and Reclassification of Endowment Funds and Net Assets	3,574	(3,574)	-	3,432	(3,432)	-
Total Support	581,348	(3,574)	577,774	422,400	(3,432)	418,968
Total Revenue and Support	31,087,968	(6,026)	31,081,942	24,343,515	7,616	24,351,131
EXPENSES						
Program Operating Costs	23,210,865	-	23,210,865	16,638,022	-	16,638,022
Maintenance Operating Costs - Dietary	558,248	-	558,248	550,248	-	550,248
Maintenance Operating Costs - Housekeeping, Laundry, Plant Operations, and Maintenance	1,049,743	-	1,049,743	958,132	-	958,132
Special Operating Costs	89,689	-	89,689	102,350	-	102,350
Administrative Operating Costs	2,109,385	-	2,109,385	2,185,635	-	2,185,635
Payroll Taxes and Fringe Benefits	2,624,300	-	2,624,300	2,514,446	-	2,514,446
Property and Related Costs	1,377,066	-	1,377,066	1,101,829	-	1,101,829
Total Expenses	31,019,296	-	31,019,296	24,050,662	-	24,050,662
CHANGE IN NET ASSETS	68,672	(6,026)	62,646	292,853	7,616	300,469
Net Assets - Beginning of Year	4,170,517	74,266	4,244,783	3,877,664	66,650	3,944,314
NET ASSETS - END OF YEAR	$ 4,239,189	$ 68,240	$ 4,307,429	$ 4,170,517	$ 74,266	$ 4,244,783

See accompanying Notes to Consolidated Financial Statements.

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program	Management and General	Fundraising	Total Expenses
Salaries and Benefits	$ 12,905,314	$ 1,551,045	$ 12,184	$ 14,468,543
Payroll Taxes	859,414	88,924	763	949,101
Professional Fees	276,288	244,315	76,369	596,972
Program Supplies and Services	10,940,141	-	-	10,940,141
Marketing	-	14,498	13,443	27,941
Office Expenses	349,087	533,389	3,911	886,387
Rent	693,819	269,621	177	963,617
Travel	248,303	27,549	-	275,852
Interest	112,460	5,439	643	118,542
Depreciation and Amortization	605,029	94,966	-	699,995
Insurance	177,983	30,079	116	208,178
Food	529,001	8,499	-	537,500
Repairs and Maintenance	235,447	11,575	-	247,022
Other	58,946	19,108	21,451	99,505
Total	$ 27,991,232	$ 2,899,007	$ 129,057	$ 31,019,296

See accompanying Notes to Consolidated Financial Statements.

MOUNT OLIVET ROLLING ACRES, INC.
(A NONPROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 62,646	$ 300,469
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	699,995	677,429
Unrealized and Realized Loss (Gain) on Investments	78,585	(140,142)
Loss on Disposal of Assets	6,526	20,259
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(183,213)	(592,787)
Contributions Receivable	60,742	(48,382)
Prepaid Expenses	60,738	(42,583)
Accounts Payable	342,607	(34,044)
Accrued Payroll and Paid Personal Leave	261,115	29,123
Other Accrued Expenses and Deferred Revenue	490,198	893,505
Net Cash Provided by Operating Activities	1,879,939	1,062,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Redemption of Investments	-	1,078,892
Purchases and Transfers of Property and Equipment	(738,602)	(799,509)
Purchases of Investments	-	(1,074,285)
Net Cash Used by Investing Activities	(738,602)	(794,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from and Acquisitions of Long-Term Debt	600,000	666,008
Principal Payments on Long-Term Debt	(924,369)	(481,720)
Net Cash Provided (Used) by Financing Activities	(324,369)	184,288
NET INCREASE IN CASH AND CASH EQUIVALENTS	816,968	452,233
Cash and Cash Equivalents - Beginning of Year	655,969	203,736
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,472,937	$ 655,969
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 125,467	$ 109,686
Property, Plant and Equipment Acquired by Debt	$ 782,572	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Mount Olivet Rolling Acres, Inc. (a nonprofit corporation) (the Corporation) operates a long-term healthcare facility located in Victoria, Minnesota, along with 31 residential service programs located in the Minneapolis/St. Paul metropolitan area, a seven-county crisis support service group, and other community support services. Revenue is derived primarily from program support services, which are funded by federal, state, and county government agencies, along with residential services for room and board.

During 2015, the Corporation formed two subsidiaries, which have been consolidated on these financial statements. Mount Olivet Rolling Acres Foundation, LLC, is a single member LLC with the Corporation being the only member. The principal purpose of Mount Olivet Rolling Acres Foundation, LLC is to be the legal entity that owns the mutual funds and stocks of the Corporation. The second subsidiary formed in 2015 is Care Properties, LLC, a single member LLC with Mount Olivet Rolling Acres Foundation, LLC being the only member. The principal purpose of Care Properties, LLC is to own residential housing which can then be rented to individuals that may receive program services from the Corporation. The operations of these two subsidiaries have been consolidated on these financial statements.

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to a nonprofit corporation. The more significant accounting policies of the Corporation are described below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Mount Olivet Rolling Acres, Inc. and the Foundation (collectively, the “Corporation”). All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The Corporation prepares its consolidated financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Net assets and revenues, support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Corporation and changes therein are classified into the following two categories:

> Without Donor Restrictions – Those resources over which the board of directors has discretionary control and are not subject to donor-imposed restrictions.
>
> With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Corporation or passage of time, or may be required to be held in perpetuity.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Corporation has elected to present donor restricted contributions, which are fulfilled in the same period, within the without donor restrictions net asset class.

Cash and Cash Equivalents

The Corporation considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. From time to time, the Corporation may have deposits at one commercial bank in excess of the limits guaranteed by the Federal Deposit Insurance Corporation (FDIC). While this represents an uninsured risk, management periodically evaluates the financial viability of the financial institutions to determine if any changes are warranted.

Resident Funds and Amounts Due to Residents

The Corporation receives and holds personal funds of residents in a fiduciary relationship whereby the Corporation is obligated to return the funds and earnings on the funds.

Third-Party Agreements and Accounts Receivable

The Corporation participates in the Medical Assistance Program which is administered by the Minnesota Department of Human Services. The Victoria campus, the Mackenthun Lane Facility, and the Jan View Facility are funded under a program labeled ICF/DD. The majority of the other facilities and programs are funded under programs labeled as DD Waivered. Payment rates are based on either historical facility costs or individual specific rates that are negotiated with the applicable government agency. Once established, rates can be adjusted by the state legislature as either a percentage increase or decrease.

Revenue is initially recorded at contractual rates established under third-party agreements. The Corporation analyzes their receivables for possible losses on existing receivables that may become uncollectible. Management takes into consideration factors such as the collectability of the accounts, prior loss experience, current economic conditions, and the age of the receivable balance. An account is considered uncollectible when all collection efforts have failed. At December 31, 2018 and 2017, the management believes accounts receivable are fully collectible. The Corporation's accounts receivable are secured assets.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or fair market value at the time of acquisition, and dispositions are accounted for when they occur. Depreciation is provided on the straight-line method over the estimated useful life of the asset. It is the policy of the Corporation to expense any capital asset with a cost of $1,000 or less.

Investments

Investments in publicly traded securities are stated at quoted market value. Investments in cooperatives, for which no such quoted market values are available, are carried at fair value as estimated by management using valuations provided by the Cooperatives. The Corporation's investment objective is conservative by nature, with a goal to increase the rate of return without increasing the risk of loss of principal. Gains on investments are classified as without donor restrictions unless there are donor restrictions, in which case it would be classified as with donor restrictions.

The Corporation has authorized the board of Mount Olivet Lutheran Church Foundation (MOLCF) to invest assets through the MOLCF in the name of the Corporation. The fair value of these assets, in the amounts of $1,578,902 and $1,657,239, are included on the consolidated statements of financial position as of December 31, 2018 and 2017, respectively.

Contributions

Contributions are considered to be available for without donor restrictions unless specifically restricted by the donor or designated by the board of directors. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as with donor restrictions support that increases those net asset classes. Restricted contributions upon which restrictions are satisfied within the current year are treated as without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and Assets

The Corporation recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. Contributed assets are recorded at the estimated fair market value at the date of receipt.

Functional Allocation of Expenses

Certain administrative operating costs have been allocated among the main campus, community homes, and community services based on actual expenses per department. Expenses are also allocated based on personnel time and space utilized.

Income Taxes

The Corporation is exempt from federal and state income taxes under Internal Revenue Code § 501(c)(3). The Corporation is subject to tax on income from any unrelated business.

The Corporation has adopted the income tax standard for uncertain tax positions. No liability was recognized by the Corporation as a result of the implementation of this standard. The Corporation files as a tax-exempt organization. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

Use of Estimates

The preparation of consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Accounting standards require disclosure of fair value information about financial instruments, whether or not recognized in the consolidated statements of financial position, for which an estimated value is practicable. Certain financial instruments and all nonfinancial instruments are excluded from the standard's disclosure requirements. For all financial instruments other than investments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. Investments are carried at fair value or estimated fair value.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The Corporation follows accounting standards that define fair value, establish a framework for measuring fair value in accordance with existing GAAP, and expand disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes inputs according to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level inputs are defined as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

Line of Credit

The Corporation entered into a line of credit agreement with Klein Bank in July 21, 2017 which originally expired August 1, 2018. On August 1, 2018, the agreement was extended through August 1, 2020. This agreement allows the Corporation to borrow up to $500,000 with interest accruing at 0.25% over the index which was 5.50% at December 31, 2018. The line of credit is secured by the Corporation's equipment and account receivable and no amount was outstanding at December 31, 2018.

The Corporation entered into another line of credit agreement with Klein Bank in July 21, 2017 which originally expired August 1, 2018. On August 1, 2018, the agreement was extended through August 1, 2020. This agreement allows the Corporation to borrow up to $1,000,000 with interest accruing at 0.25% over the index which was 5.50% at December 31, 2018. The line of credit is secured by seven residential properties owned by the Corporation. No amount was outstanding on the line of credit at December 31, 2018.

Adoption of Accounting Principle

The Corporation adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. With the exception of the consolidated statement of functional expenses and liquidity footnote which were presented for 2018 only, as permitted by standard, these changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Corporation's financial position as of December 31, 2018 and 2017 or the changes in its net assets or cash flows for the years then ended.

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated by management through May 1, 2019, which is the date the consolidated financial statements were issued.

NOTE 2 INVESTMENTS

Investment balances consist of the following at December 31:

	2018	2017
S&P 500 Stock Fund	$ 911,696	$ 1,023,635
Bond Index Fund	666,206	632,604
Investment in Cooperatives	10,725	10,973
Total	$ 1,588,627	$ 1,667,212

Net investment returns as of December 31 consist of the following:

	2018	2017
Interest and Dividend Income	$ 45,361	$ 25,290
Net Realized and Unrealized Investment Gains (Losses)	(78,585)	140,142
Total	$ (33,224)	$ 165,432

NOTE 3 FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy, the Corporation's investments at fair value as of December 31:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
S&P 500 Stock Fund	$ 911,696	$ -	$ -	$ 911,696
Bond Index Fund	666,206	-	-	666,206
Investment in Cooperatives	-	-	10,725	10,725
Total	$ 1,577,902	$ -	$ 10,725	$ 1,588,627

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
S&P 500 Stock Fund	$ 1,023,635	$ -	$ -	$ 1,023,635
Bond Index Fund	632,604	-	-	632,604
Investment in Cooperatives	-	-	10,973	10,973
Total	$ 1,656,239	$ -	$ 10,973	$ 1,667,212

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value for Level 1 is based upon quoted prices in active markets. Fair value for Level 3 investments, which consist primarily of investments in electrical cooperatives, is estimated by management using valuation information provided by the cooperatives.

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Corporation's Level 3 assets, which consist of investments in cooperatives as of December 31:

	2018	2017
Balance, Beginning of Year	$ 10,973	$ 10,826
Change in Valuation	(248)	147
Balance, End of Year	$ 10,725	$ 10,973

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment along with their respective useful lives consisted of the following at December 31:

	2018	2017	Useful Lives in Years
Land	$ 1,790,365	$ 1,540,365	
Buildings and Building Improvements	11,214,093	10,370,986	5 - 27.5
Furniture, Fixtures, and Equipment	867,283	851,310	3 - 10
Paving and Improvements	641,999	595,337	5 - 20
Fences	86,113	69,991	7 - 20
Software	280,110	280,110	7
Transportation Equipment	1,417,681	1,364,446	4
Total Property and Equipment	16,297,644	15,072,545	
Accumulated Depreciation	(8,880,537)	(8,470,091)	
Total Property and Equipment, Net	$ 7,417,107	$ 6,602,454	

NOTE 5 LONG-TERM DEBT

Long-term debt, together with the security thereon, consisted of the following at December 31:

Description	2018	2017
Minnesota Agricultural and Economic Development Board Revenue Bonds Series 2010, dated March 30, 2010 for $1,250,000 to refinance notes. Principal and interest are payable to Klein Bank in equal monthly installments of $9,233 on the last day of each month until March 31, 2025. The interest rate is 4.050%, readjusting March 2020 using a formula specified in the loan agreement. The bond is secured by the Victoria healthcare facility property.	$ 610,842	$ 701,898
In 2016, three property loans in the amount of $746,400 was taken out to purchase properties, which secure the loan. Principal and interest on the loans are payable to Klein Bank through 2021 and bear rates of 4.500%.	649,508	687,709
1601 Property mortgage dated September 19, 2012 for $232,500 to purchase property. Principal and interest on this note shall be payable to Klein Bank in equal monthly installments of $1,741 with the balance due on September 19, 2017. The rate of this note is 4.125%. Effective September 19, 2017, the note was extended to September 19, 2027 with monthly installments of $1,827. The rate of the extended note is 5.0% The note is secured by the property purchased.	155,264	168,938
Erie Avenue Property mortgage dated July 10, 2017 for $263,920 to purchase property. Principal and interest on this note shall be payable to Klein Bank in equal monthly installments of $2,095 with the balance due on July 1, 2022. The rate of this note is 5.0%. The note is secured by the property purchased.	246,443	258,679
Westgate Property mortgage dated May 10, 2017 for $230,400 to purchase property. Principal and interest on this note shall be payable to Klein Bank in equal monthly installments of $1,829 with the balance due on May 1, 2022. The rate of this note is 5.0%. The note is secured by the property purchased.	213,304	224,077

NOTE 5 LONG-TERM DEBT (CONTINUED)

Description	2018	2017
Sherwood House property mortgage of $106,250 assumed in August 2014 with the receipt of the property. Principal payments of $1,250 are due monthly through September 2021. The rate of this mortgage is 0.000% and is secured by the property acquired.	$ 41,250	$ 56,250
56th Street Edina property mortgage for $264,400 dated December 15, 2015. Principal and interest on this note shall be payable in equal monthly installments of $1,602 with the balance due on December 10, 2035. The rate of this note is 4.000%. The note is secured by the property purchased.	236,876	246,060
In 2013, six vehicle loans totaling $199,721 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2017 and 2018 and bear rates of 4.250%.	-	7,003
In 2014, three vehicle loans totaling $85,676 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2018 and bear rates of 4.000%.	-	7,617
In 2015, six vehicle loans totaling $171,322 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2019 and bear rates of 4.000%.	23,857	68,749
In 2016, seven vehicle loans totaling $201,392 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2021 and bear rates ranging from 4.250%-4.500%.	79,343	144,766
In 2018, four vehicle loans totaling $158,459 were taken out to purchase vehicles, which secure the loans. Principal and interest on the loans are payable to Klein Bank through 2023 and bear rates ranging from 4.000%-5.500%.	137,926	-

NOTE 5 LONG-TERM DEBT (CONTINUED)

Description	2018	2017
Brenden Pond property mortgage for $368,000 dated October 24, 2018. Principal and interest on this note shall be payable in equal monthly installments of $3,073 with the balance due on October 24, 2023. The rate of this note is 5.7500%. The note is secured by the property purchased.	$ 365,435	$ -
Andover property mortgage of $272,000 dated May 21, 2018. Principal and interest on this note shall be payable in equal monthly installments of $2,234 with the balance due on May 21, 2023. The rate of this note is 5.5000%. The note is secured by the property purchased.	265,159	-
Total	3,025,207	2,571,746
Less: Current Portion	327,633	297,803
Less: Unamortized Issuance Costs, Net	29,640	34,382
Long-Term Debt	$ 2,667,934	$ 2,239,561

Principal payments over each of the next five years and thereafter on the long-term debt obligations are as follows:

Year Ending December 31,	Amount
2019	$ 327,633
2020	293,318
2021	795,638
2022	567,458
2023	647,834
Thereafter	393,326
Total	$ 3,025,207

Interest expense on the Corporation’s long-term debt, which is included in property and related costs on the consolidated statements of activities, totaled $118,542 and $97,199 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

As of December 31, the Corporation's net assets with donor restrictions were allocated as follows:

	2018	2017
Accumulated Earnings on Endowment Funds	$ 19,639	$ 25,665
Invested in Perpetuity	48,601	48,601
Total	$ 68,240	$ 74,266

NOTE 7 ENDOWMENT FUNDS

The Corporation's endowment funds consists of donor established funds for the ongoing support of the Corporation. As required by GAAP, net assets associated with donor established endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Corporation follows UPMIFA. UPMIFA governs an institution such as the Corporation's, management and investment of endowment funds. The board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment funds that is not retained in perpetuity is appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds
2. The purposes of the Corporation and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Corporation
7. The investment policies of the Corporation

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters, and Strategies

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

Spending Policy

The Corporation has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value of the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Corporation considered the long-term expected return on its investment assets, the nature, and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Corporation expects the current spending policy to allow its endowment funds to grow at a nominal rate annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment Funds Net Assets/Surplus

Changes in endowment funds net assets for the years ended December 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2017	$ -	$ 66,650	$ 66,650
Investment Income	-	1,586	1,586
Net Appreciation	-	9,462	9,462
Reclassification and Appropriation for Expenses	-	(3,432)	(3,432)
Endowment Net Assets, December 31, 2017	-	74,266	74,266
Net Depreciation	-	(2,452)	(2,452)
Reclassification and Appropriation for Expenses	-	(3,574)	(3,574)
Endowment Net Assets, December 31, 2018	$ -	$ 68,240	$ 68,240

NOTE 8 DUE TO (FROM) AFFILIATED ORGANIZATIONS

The total amount due to (from) affiliated organizations consists of noninterest bearing advances to organizations related via common management for contributions collected, insurance, and investment and development management. The total amount due to/from affiliated organizations included in accounts payable as of December 31 was as follows:

	2018	2017
Mount Olivet Lutheran Church	$ (2,316)	$ (2,335)
Mount Olivet Careview	11,327	7,757
Total	$ 9,011	$ 5,422

NOTE 9 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Corporation leases various office equipment under operating leases expiring through November 2020. The leases require monthly payments ranging from $243 to $1,394. Lease expense charged to property and related costs on the operating leases was $43,098 and $39,976 for the years ended December 31, 2018 and 2017, respectively.

In January 1998, the Corporation entered into an agreement to lease residential property through October 2004. The lease agreement was renewed in 2016 and extended through December 2019 and requires monthly payments of $2,650.

In January 2000, the Corporation entered into an agreement to lease residential property through January 2008. The lease agreement has been extended through January 2019 and requires monthly payments of $2,362.

During 2015, a new agreement was entered into that increased the amount of commercial property space being rented, along with extending the terms of the agreement to run through November 30, 2023. The lease calls for monthly base rent ranging from $17,153 to $20,097 plus a proportionate share of common area expenses to be paid on the first of each month.

In July 2014, the Corporation entered into an agreement to lease residential property through July 2016 and renewed in 2016 and expired in July 2018. The lease agreement required monthly payments of $2,350.

Office and residential lease expense for the years ended December 31, 2018 and 2017 totaled $498,025 and $471,814, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases (Continued)

The minimum future lease payments for each of the next five years on the operating leases are as follows:

Year Ending December 31,	Amount
2019	$ 262,973
2020	229,546
2021	236,835
2022	239,071
2023	221,071
Total	$ 1,189,496

Legal Claims

In the normal course of business the Corporation has claims made against them. As of December 31, 2018, the amount and likelihood of loss is not determined. The Corporation believes these claims are without merit and intends to vigorously defend the matters.

NOTE 10 ECONOMIC DEPENDENCY

The Corporation obtains a substantial portion of its revenue from the state of Minnesota and the seven metropolitan counties of Minneapolis/St. Paul. Revenues generated from these contracts totaled $30,095,256 and $23,303,632 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 PENSION PLAN

The Corporation participates in a tax-deferred investment plan under §403(b) of the Internal Revenue Code. The plan covers all employees that meet certain age and length of service requirements. Employer matching contributions to the plan are made at rates between 2% and 4% of each participant’s eligible compensation depending on the hours and years of service the employee provided that the participating employee contributes 1% to 4% of their compensation through a salary reduction agreement. For the years ended December 31, 2018 and 2017, the amount of the employer matching contribution was $184,517 and $165,126, respectively. The amount is included in payroll taxes and fringe benefits on the consolidated financial statements.

NOTE 12 METRO CRISIS COORDINATION PROGRAM ACCRUED EXPENSES

The Corporation provides a variety of services to individuals through a contract with Hennepin County and a Cooperative Agreement with Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The contract provides for payments to cover both direct and indirect costs associated with the program, in addition to a 2% fee. Payments are accelerated to cover annual county target goals. The excess of payments over costs incurred, and the service fee, are applied to the counties' subsequent year obligation. As of December 31, 2018 and 2017, the excess, included in other accrued expenses and deferred revenue, totaled $2,725,279 and $2,249,679, respectively.

NOTE 13 FUNCTIONAL EXPENSES

The functional expenses of the Corporation for 2018 and 2017 are as noted as follows:

	2018	2017
Program	$ 27,991,232	$ 21,147,110
Management and General	2,899,007	2,761,328
Fundraising	129,057	142,224
Total	$ 31,019,296	$ 24,050,662

NOTE 14 LIQUIDITY DISCLOSURE

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As of December 31, 2018, the following assets could be made readily available within one year to meet general expenditures:

		Total
Cash and Cash Equivalents		$ 1,472,937
Accounts Receivable		1,854,617
Contribution Receivable		8,660
Investments	$ 1,577,902	
Less: Portion with Donor Restrictions	(68,240)	
Investments Available within One Year		1,509,662
Total		$ 4,845,876