FAMILYMEANS
(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
FamilyMeans
Stillwater, Minnesota

Opinion

We have audited the financial statements of FamilyMeans, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FamilyMeans as of December 31, 2021 and 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 FamilyMeans' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities 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 auditors' 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 GAAS 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 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 GAAS, 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 FamilyMeans' 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 FamilyMeans' 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.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
April 27, 2022

FAMILYMEANS

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,627,442	$ 3,080,593
Investments	3,506,754	2,906,331
Clinical accounts receivable, net of allowances	240,438	189,312
Miscellaneous receivables	16,176	45,546
Promises to give receivable	-	10,000
Government grants receivable	144,829	155,574
Prepaid expenses	29,881	31,003
TOTAL CURRENT ASSETS	7,565,520	6,418,359
PROPERTY AND EQUIPMENT, NET	4,559,729	4,448,177
OTHER ASSETS		
Beneficial interests in community foundations	2,662,318	2,658,449
Long-term promises to give receivable	-	37,683
TOTAL OTHER ASSETS	2,662,318	2,696,132
TOTAL ASSETS	$ 14,787,567	$ 13,562,668
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 89,029	$ 75,618
Accrued expenses	175,218	220,099
TOTAL CURRENT LIABILITIES	264,247	295,717
NET ASSETS		
NET ASSETS		
Without donor restrictions	11,796,430	10,405,032
With donor restrictions	2,726,890	2,861,919
TOTAL NET ASSETS	14,523,320	13,266,951
TOTAL LIABILITIES AND NET ASSETS	$ 14,787,567	$ 13,562,668

See Notes to Financial Statements

FAMILYMEANS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Contributions and grants	$ 1,761,333	$ 47,279	$ 1,808,612
Government grants and contracts	524,592	-	524,592
Special event revenue	77,175	-	77,175
Direct costs of special events	(14,193)	-	(14,193)
In-kind contributions	137,323	-	137,323
TOTAL PUBLIC SUPPORT	2,486,230	47,279	2,533,509
REVENUE			
Service fees	2,318,127	-	2,318,127
Investment return	604,834	-	604,834
Change in beneficial interests in community foundations	11,052	360,704	371,756
Loss on disposal of property and equipment	(68,345)	-	(68,345)
Other revenue	2,691	-	2,691
TOTAL REVENUE	2,868,359	360,704	3,229,063
NET ASSETS RELEASED FROM RESTRICTIONS	543,012	(543,012)	-
TOTAL PUBLIC SUPPORT AND REVENUE	5,897,601	(135,029)	5,762,572
EXPENSES			
PROGRAM SERVICES	3,813,518	-	3,813,518
SUPPORTING SERVICES			
General and administrative	379,263	-	379,263
Fundraising	313,422	-	313,422
TOTAL SUPPORTING SERVICES	692,685	-	692,685
TOTAL EXPENSES	4,506,203	-	4,506,203
CHANGE IN NET ASSETS	1,391,398	(135,029)	1,256,369
NET ASSETS, BEGINNING OF YEAR	10,405,032	2,861,919	13,266,951
NET ASSETS, END OF YEAR	$ 11,796,430	$ 2,726,890	$ 14,523,320

FAMILYMEANS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
Contributions and grants	$ 1,738,089	$ 141,182	$ 1,879,271
Government grants and contracts	611,262	-	611,262
PPP Grant Revenue	557,000	-	557,000
Special event revenue	45,976	-	45,976
Direct costs of special events	(4,116)	-	(4,116)
In-kind contributions	123,907	-	123,907
TOTAL PUBLIC SUPPORT	3,072,118	141,182	3,213,300
REVENUE			
Service fees	2,305,487	-	2,305,487
Investment return	293,684	-	293,684
Change in beneficial interests in community foundations	3,620	282,306	285,926
Other revenue	35	-	35
TOTAL REVENUE	2,602,826	282,306	2,885,132
NET ASSETS RELEASED FROM RESTRICTIONS	153,775	(153,775)	-
TOTAL PUBLIC SUPPORT AND REVENUE	5,828,719	269,713	6,098,432
EXPENSES			
PROGRAM SERVICES	3,999,367	-	3,999,367
SUPPORTING SERVICES			
General and administrative	359,249	-	359,249
Fundraising	301,895	-	301,895
TOTAL SUPPORTING SERVICES	661,144	-	661,144
TOTAL EXPENSES	4,660,511	-	4,660,511
CHANGE IN NET ASSETS	1,168,208	269,713	1,437,921
NET ASSETS, BEGINNING OF YEAR	9,236,824	2,592,206	11,829,030
NET ASSETS, END OF YEAR	$ 10,405,032	$ 2,861,919	$ 13,266,951

FAMILYMEANS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services						Supporting Services			
	Financial Solutions	Counseling and Therapy	Employee Assistance	Caregiver and Aging	Youth Development	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	$ 337,517	$ 1,022,617	$ 3,002	$ 352,586	$ 213,749	$ 1,929,471	$ 271,149	$ 173,289	$ 444,438	$ 2,373,909
Payroll taxes	25,582	77,579	328	26,435	16,368	146,292	20,363	12,936	33,299	179,591
Employee benefits	39,017	120,052	815	42,197	19,067	221,148	23,636	9,169	32,805	253,953
Total salaries and related expenses	402,116	1,220,248	4,145	421,218	249,184	2,296,911	315,148	195,394	510,542	2,807,453
Accounting fees	4,117	13,997	274	3,568	2,196	24,152	1,921	1,372	3,293	27,445
Other contracted services	25,221	462,072	113	10,343	5,103	502,852	6,551	19,556	26,107	528,959
Advertising and promotion	8,589	4,971	97	3,267	780	17,704	933	11,209	12,142	29,846
Supplies	3,149	12,805	173	2,589	2,531	21,247	1,517	1,160	2,677	23,924
Program expenses	20,332	23,285	-	17,990	85,871	147,478	201	14,352	14,553	162,031
Telephone	6,353	19,749	275	3,743	6,598	36,718	3,147	1,497	4,644	41,362
Postage	3,780	8,958	207	3,518	834	17,297	2,069	1,449	3,518	20,815
Facilities	34,431	80,585	1,186	20,163	29,029	165,394	11,860	8,303	20,163	185,557
Equipment maintenance	5,349	18,310	357	8,836	3,036	35,888	2,495	1,783	4,278	40,166
Printing and promotion	2,104	2,128	205	452	307	5,196	271	10,285	10,556	15,752
Travel and meeting	3,496	1,857	-	2,091	2,140	9,584	3,515	127	3,642	13,226
Staff development	2,483	17,288	18	4,101	(329)	23,561	8,399	3,299	11,698	35,259
Computer expenses	4,858	16,518	324	5,115	2,591	29,406	2,267	1,619	3,886	33,292
Endowment contributions	5,305	22,544	265	19,892	18,301	66,307	-	-	-	66,307
Membership and accreditation	12,816	31,013	18	2,333	363	46,543	2,510	615	3,125	49,668
In-kind services	-	-	-	15,566	77,788	93,354	-	43,969	43,969	137,323
Bad debt	-	9,344	-	-	-	9,344	-	-	-	9,344
Insurance	7,812	24,212	494	6,951	3,444	42,913	3,852	2,733	6,585	49,498
Depreciation	21,823	84,994	1,299	20,001	60,756	188,873	11,427	8,052	19,479	208,352
Miscellaneous	3,281	24,005	168	3,996	1,346	32,796	1,180	841	2,021	34,817
Total functional expenses	577,415	2,098,883	9,618	575,733	551,869	3,813,518	379,263	327,615	706,878	4,520,396
Less expenses included with revenues on the statement of activities:										
Direct costs of special events	-	-	-	-	-	-	-	(14,193)	(14,193)	(14,193)
Total expenses included in the expense section on the statement of activities	$ 577,415	$ 2,098,883	$ 9,618	$ 575,733	$ 551,869	$ 3,813,518	$ 379,263	$ 313,422	$ 692,685	$ 4,506,203

See Notes to Financial Statements

FAMILYMEANS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services						Supporting Services			
	Financial Solutions	Counseling and Therapy	Employee Assistance	Caregiver and Aging	Youth Development	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	$ 405,348	$ 1,112,152	$ 8,574	$ 366,413	$ 216,220	$ 2,108,707	$ 267,396	$ 182,502	$ 449,898	$ 2,558,605
Payroll taxes	29,659	78,881	716	26,056	15,449	150,761	17,173	12,661	29,834	180,595
Employee benefits	42,511	122,117	941	39,601	19,385	224,555	17,949	9,381	27,330	251,885
Total salaries and related expenses	477,518	1,313,150	10,231	432,070	251,054	2,484,023	302,518	204,544	507,062	2,991,085
Accounting fees	4,196	14,547	280	3,357	2,238	24,618	1,958	1,399	3,357	27,975
Other contracted services	30,730	510,015	85	21,412	10,906	573,148	10,022	14,571	24,593	597,741
Advertising and promotion	6,334	4,815	93	1,081	756	13,079	633	949	1,582	14,661
Supplies	1,959	7,575	127	1,461	1,043	12,165	857	633	1,490	13,655
Program expenses	15,165	47,503	-	23,479	29,855	116,002	86	4,253	4,339	120,341
Telephone	6,019	19,928	271	3,192	3,996	33,406	3,367	1,436	4,803	38,209
Postage	3,407	8,622	192	3,427	408	16,056	1,868	1,425	3,293	19,349
Facilities	29,551	65,539	962	17,137	19,196	132,385	9,254	6,922	16,176	148,561
Equipment maintenance	6,747	23,504	431	5,517	3,225	39,424	3,170	2,321	5,491	44,915
Printing and promotion	1,459	9,279	27	866	228	11,859	1,971	13,579	15,550	27,409
Travel and meeting	848	1,841	18	1,998	1,439	6,144	1,262	163	1,425	7,569
Staff development	1,478	16,037	54	6,148	771	24,488	401	269	670	25,158
Computer expenses	8,231	22,552	385	11,840	7,990	50,998	2,591	1,924	4,515	55,513
Endowment contributions	5,973	9,731	-	24,229	19,564	59,497	-	-	-	59,497
Membership and accreditation	11,799	1,063	13	3,101	351	16,327	2,840	458	3,298	19,625
In-kind services	-	-	-	9,088	75,268	84,356	-	39,551	39,551	123,907
Bad debt	-	55,259	-	-	-	55,259	-	-	-	55,259
Insurance	8,144	26,271	517	6,783	3,506	45,221	3,881	2,841	6,722	51,943
Depreciation	21,152	82,085	1,278	19,706	59,244	183,465	10,942	8,072	19,014	202,479
Miscellaneous	2,554	11,223	140	1,632	1,898	17,447	1,628	701	2,329	19,776
Total functional expenses	643,264	2,250,539	15,104	597,524	492,936	3,999,367	359,249	306,011	665,260	4,664,627
Less expenses included with revenues on the statement of activities:										
Direct costs of special events	-	-	-	-	-	-	-	(4,116)	(4,116)	(4,116)
Total expenses included in the expense section on the statement of activities	$ 643,264	$ 2,250,539	$ 15,104	$ 597,524	$ 492,936	$ 3,999,367	$ 359,249	$ 301,895	$ 661,144	$ 4,660,511

See Notes to Financial Statements

FAMILYMEANS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,256,369	$ 1,437,921
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	208,352	202,479
Bad debt	9,344	55,259
Donated stock	(53,833)	(34,534)
Reinvested interest and dividend income	(45,766)	(43,088)
Change in beneficial interests in community foundations	(371,756)	(285,926)
Realized and unrealized gain on investments	(554,657)	(245,116)
Loss on disposal of property and equipment	68,345	-
Changes in operating assets and liabilities:		
Clinical accounts receivable	(60,470)	(72,301)
Miscellaneous receivables	29,370	10,735
Promises to give receivable	47,683	9,081
Government grants receivable	10,745	(93,029)
Prepaid expenses	1,122	(3,708)
Accounts payable	13,411	(16,042)
Accrued expenses	(44,881)	(28,242)
NET CASH FLOWS FROM OPERATING ACTIVITIES	513,378	893,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(207,800)	(366,619)
Proceeds from sale of investments	261,633	401,153
Proceeds from beneficial interests in community foundations	367,887	17,907
Purchase of property and equipment	(388,249)	(63,020)
NET CASH FLOWS FROM INVESTING ACTIVITIES	33,471	(10,579)
NET INCREASE (DECREASE)	546,849	882,910
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	3,080,593	2,197,683
END OF YEAR	$ 3,627,442	$ 3,080,593

See Notes to Financial Statements

(1) Summary of significant accounting policies

Organization - FamilyMeans (the Organization) is a nonprofit corporation organized under the laws of the State of Minnesota. The mission is to strengthen communities by helping individuals and families through challenges in all life stages. The Organization operates in the St. Croix Valley, Western Wisconsin, the Greater Twin Cities and Rochester area.

Description of programs - FamilyMeans raises charitable funds to ensure that programs and services are accessible. The Organization's programs are as follows:

Financial Solutions - Financial Solutions provides budget and debt counseling, financial literacy classes, debt repayment programs, credit report reviews and student loan counseling to help people develop the skills to establish and maintain financial stability.

Counseling & Therapy – A multi-disciplinary team of mental health licensed providers and practitioners provide outpatient mental health and school based mental health services for all ages in Stillwater, Hudson, The Center for Grief & Loss in St. Paul and in numerous public schools serving the east metro and western Wisconsin. We provide individual, family, couples and/or group therapy. Presenting issues may include anxiety, depression, grief and loss, trauma, school or occupation concerns, family stress and changes, relationship/marital conflict, and other personal distress or life transitions.

Caregiving & Aging - Caregiving & Aging provides education, coaching, information and referral, support groups, and group and in-home respite to aid caregivers of children and adults with functional limitations. Caregivers receive guidance, resource connections, professional and peer support, and regular breaks that give them time to themselves. The program also engages community partners to plan and act together to create a more age-friendly community.

Youth Development - Working with varied community partners, the Organization helps young people discover interest and talents, develop their interpersonal, decision-making and other life skills, contribute back to their community and become knowledgeable about local resources and opportunities. The Landfall and Cimarron Youth Development Initiative offers intensive, sustained research-driven youth development programming in two of the under-resourced communities in the East metro area. The Organization’s free after-school and summer activities involve Landfall and Cimarron children and teens in art, science, recreation, fitness, mentoring, social support, academic support, life skills and leadership development activities.

Employee Assistance - Companies contract with the Organization to provide services that nurture a healthy workforce and work environment. Under this benefit, employees and their family members have access to legal services and the Organization's programs for confidential help with personal matters. The program also provides training, mediation, critical incident stress debriefings and consultation to management.

(1) Summary of significant accounting policies (continued)

Income tax status - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a non-private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2021 and 2020.

The Organization files form 990 in the U.S. federal jurisdiction and the States of Minnesota and Wisconsin. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

Financial statement presentation - The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly net assets of the organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization's management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

- Net Assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity

Going concern – Management assesses the Organization's ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Management has determined there is not substantial doubt about the Organization's ability to continue as a going concern.

Contributions and grants – Contributions include amounts received from United Way, foundations, individuals and corporations. The Organization recognizes contributions as revenue when they are received or unconditionally pledged.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

(1) <u>Summary of significant accounting policies</u> **(continued)**

Contributions and grants (continued) - Contributions received and net investment return (loss) are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed conditions and restrictions are reported as an increase in net assets without donor restrictions if the conditions and restrictions are met in the reporting period in which the contribution is recognized. Contributions and investment return (loss) that is restricted by the donor or by law is reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the contribution or the investment return (loss) is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Revenue from government grant and contract agreements, which are generally considered conditional non-exchange transactions are recognized when qualifying expenditures are incurred or units of service are provided and conditions under the agreements are met.

Expenditures, under government contracts, are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the determination is made.

Contributions of property and equipment are presented as an increase in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as an increase in 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.

Revenue recognition - The Organization derives program fee revenues primarily through mental health counseling and therapy, and debt repayment program services.

<u>Mental health counseling and therapy</u>
The Organization provides outpatient mental health and school-based mental health services. The services contain a single performance obligation for the provision of counseling and therapy sessions to individuals and various groups. Revenue is recognized as the performance obligation is satisfied which is generally over time as the services are rendered.

The Organization determines the transaction price for mental health services based on standard charges for services provided to clients, reduced by contractual adjustments provided to third-party payers, and discounts and sliding fee reductions provided to uninsured clients in accordance with the Organization’s policies. The Organization estimates the transaction price for clients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to mental health service revenue in the period of the change.

(1) Summary of significant accounting policies (continued)

Revenue recognition (continued) -

Debt repayment program services
The Organization provides debt repayment program services by assisting clients in setting up payment plan arrangements with creditors involved in the program, and facilitating payments to creditors by collecting monthly payments from the client, and remitting these payments to the appropriate creditor. The transaction price charged to the client is set at a percentage of the monthly payments, subject to a cap. These services contain a single performance obligation for the administration of the debt repayment program. The Organization acts as agent of the creditors and recognizes fee revenue over time.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents except those amounts designated and classified as investments cash or money market funds. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Accounts receivable - Receivables are recorded at net realizable value. Accounts receivable primarily arise from counseling services provided in fulfillment of the Organization's mission to families in the St. Croix Valley area and are due from individuals and corporations. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for doubtful accounts at December 31, 2021 and 2020 was $20,000 and $49,000, respectively.

An allowance for billing adjustments is computed based upon the Organization's historical percentage of contractual adjustments to clinical fee third-party revenue and is applied to the outstanding accounts receivable due from third-party payers at year end. At December 31, 2021 and 2020, the allowance for billing adjustments was $34,000 and $23,000, respectively.

Promises to give receivable - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable).

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, discounted using risk-adjusted interest rates applicable to the years in which the promises are to be received.

(1) **Summary of significant accounting policies (continued)**

Investments - Investments, including beneficial interests in assets held at community foundations, are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements.

Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates.

Property and equipment - The Organization capitalizes all expenditures of property and equipment with a useful life of greater than one year, and a cost in excess of $5,000. Property and equipment are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of four to ten years for furniture and equipment, fifteen years for land improvements, and thirty to forty-five years for buildings. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant improvements are capitalized. For the years ended December 31, 2021 and 2020, depreciation expense amounted to $208,000 and $202,000, respectively.

Functional allocation of expenses - The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative, fundraising and program direct costs are all allocated directly to the appropriate cost center. General agency expenses, including IT and facility costs are allocated across all programs based on program FTEs. Staff salaries and benefits are allocated based on time and effort. General and administrative, and fundraising costs include direct and allocated expenses, as well as salaries and fringe benefits for the President, Development Director, Finance Director, Development and Marketing Coordinator and HR.

Advertising costs - Advertising costs are charged to operations when the advertising first takes place. Advertising costs amounted to $30,000 and $15,000 for the years ended December 31, 2021 and 2020, respectively.

Donated services and other in-kind contributions - Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

(1) Summary of significant accounting policies (continued)

Impairment of long-lived assets – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management does not believe impairment indicators are present at December 31, 2021 and 2020.

Fair value measurement definition and hierarchy – US GAAP defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is broken down into three levels of inputs that market participants would use in valuing the asset or liability, which can be summarized as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Quoted prices for similar assets or liabilities.
- Level 3 - Valuation based on inputs that are unobservable, therefore requiring management’s own assumptions about the assumptions that market participants would use in pricing an asset or liability

New accounting pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016–02, *Leases (Topic 842)* that requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is in the process of assessing the impact of the adoption of ASU 2016-02 on its financial statements.

(1) Summary of significant accounting policies (continued)

New accounting pronouncements (continued) - In September 2020 FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance requires incremental disclosures of in-kind gifts received by a nonprofit organization and results in more disaggregated information about contributions of goods and services. Changes to presentation and disclosure of nonfinancial assets (gifts-in-kind) include (1) presenting contributions of nonfinancial assets (in-kind gifts) as a separate line item in the statement of activities, (2) providing disaggregated information in the notes to the financial statements about each category of in-kind gift, and, (3) disclosures within each category of the amount of revenue recognized, policies (if any) regarding monetization or use of the in-kind gift, donor restrictions, valuation techniques and inputs used for measuring the in-kind gift's fair value, and in some cases, the principal market used to estimate the in-kind gift's fair value. The new standard does not affect the amount or timing of revenue recognition. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 and is to be applied on a retrospective basis. Early adoption is permitted. The Organization is in the process of assessing the impact this standard will have on its financial statements.

Subsequent events policy - Subsequent events have been evaluated through April 27, 2022 which is the date the financial statements were available to be issued.

(2) Risks and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization have been impacted by the pandemic and have resulted in changes in the Organization's ability to provide services in its program areas. The continued extent of the impact of COVID-19 on our programs and operations will depend on certain developments, including duration and spread of the outbreak, government mandates and tax relief policies, impact on our donors, clients, employees, and vendors, all of which are uncertain and cannot be predicted. Other financial impacts could occur. Such potential impacts are unknown at this time.

(3) Liquidity and availability

The Organization regularly monitors funds available for day-to-day program operations. Our goal is to annually raise enough funds from fundraising efforts and program revenue to cover our operating costs without spending pre-existing cash. However, should the need arise, the following financial assets would be available for operations within one year of the statement of financial position date.

	2021	2020
Financial Assets at Year End:		
Cash and cash equivalents	$ 3,160,115	$ 2,613,768
Board designated net assets:		
Cash and cash equivalents	467,327	466,825
Investments	3,506,754	2,906,331
Promises to give receivable	-	47,683
Endowments - beneficial interests in community foundations	2,662,318	2,658,449
Clinical accounts receivable	294,279	261,476
Miscellaneous receivables	16,176	45,546
Government grants receivable	144,829	155,574
Total financial assets	10,251,798	9,155,652
Less amounts not available for expenditure within one year:		
Restricted by donors for use in future periods	(45,818)	(53,528)
Board designated net assets	(3,974,081)	(3,373,156)
Long term promises to give receivable	-	(37,683)
Donor and board restricted endowment	(2,644,431)	(2,640,545)
Allowances for clinical accounts receivable	(53,841)	(72,164)
Financial assets not available for use within one year	(6,718,171)	(6,177,076)
Financial assets available to meet general operating expenses within one year	$ 3,533,627	$ 2,978,576

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. Annual endowment spending rate distributions are available for general expenditures. The cash and cash equivalents in a money market and investments make up the total board-designated reserve. By policy, the board-designated reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, unanticipated loss in funding, or uninsured losses. For these purposes, funds could be made available. In addition to the financial assets listed above, FamilyMeans has a $200,000 line of credit available to meet cash flow needs, if necessary.

(4) Promises to give

Promises to give receivable at December 31, 2021 and 2020 include the following:

	2021	2020
Receivable within one year	$ -	$ 10,000
Receivable in one to five years	-	39,765
	-	49,765
Discount to present value	-	(2,082)
Total promise to give receivable	$ -	$ 47,683

No allowance for doubtful promises to give has been provided at December 31, 2021 and 2020, since management of the Organization expects all receivables to be collected.

Conditional promises to give at December 31, 2021 and 2020 consist of promises to:

	2021	2020
Provide respite services, coaching, counseling, and education for caregivers	$ 275,000	$ 129,000
Provide school based mental health services for youth in Minnesota	318,000	175,000
Create a broad, integrated, accessible continuum of support for families experiencing dementia	26,000	143,000
Total	$ 619,000	$ 447,000

(5) Property and equipment

A summary of property and equipment is as follows:

	2021	2020
Land	$ 791,704	$ 791,704
Land improvements	74,509	74,509
Buildings and improvements	5,113,558	4,903,031
Leasehold improvements	86,975	86,975
Furniture and equipment	1,183,687	1,105,578
Total property and equipment	7,250,433	6,961,797
Less accumulated depreciation	(2,690,704)	(2,513,620)
Net property and equipment	$ 4,559,729	$ 4,448,177

(6) Beneficial interests in community foundations

The Organization made irrevocable transfers to the St. Paul & Minnesota Foundation and to the St. Croix Valley Foundation (the Foundations), which established designated funds. Pursuant to the terms of the agreements establishing these funds, assets contributed to the Foundations are held as separate, long-term funds designated for the benefit of the Organization. The Organization granted the Foundations variance power over the funds in that the Foundations have the rights to modify the terms of the fund agreements if in the judgement of the Boards of the Foundations such a modification would become necessary. Under the agreements, the Foundations are to make distributions from the funds to the Organization in accordance with its spending policy. The Organization has recorded its shares of the beneficial interests in the St. Paul & Minnesota Foundation and in the St. Croix Valley Foundation based on the market value of the fund assets which were $2,662,000 and $2,658,000 as of December 31, 2021 and 2020, respectively. The Organization received distributions from the Foundations of approximately $368,000 and $18,000 for the years ended December 31, 2021 and 2020, respectively. See Note 11 for additional information on these funds.

(7) Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	Fair value measurements at reporting date using			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
2021				
U.S. common stock	$ 3,338,098	$ 3,338,098	$ -	$ -
U.S. corporate bonds	100,766	100,766	-	-
Money market	67,890	67,890	-	-
Total investments	3,506,754	3,506,754	-	-
Beneficial interests in community foundations	2,662,318	-	-	2,662,318
Total assets measured at fair value	$ 6,169,072	$ 3,506,754	$ -	$ 2,662,318

	Fair value measurements at reporting date using			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
2020				
U.S. common stock	$ 2,707,506	$ 2,707,506	$ -	$ -
U.S. corporate bonds	104,381	104,381	-	-
Money market	94,444	94,444	-	-
Total investments	2,906,331	2,906,331	-	-
Beneficial interests in community foundations	2,658,449	-	-	2,658,449
Total assets measured at fair value	$ 5,564,780	$ 2,906,331	$ -	$ 2,658,449

(7) Fair value measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. All assets have been valued using a market approach. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Common stock and corporate bonds: Valued at closing price reported on the active market on which the individual securities are traded.

Money market: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Beneficial interests in community foundations: Valued based on fair value of the assets held by the community foundations.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2021 and 2020.

ASSETS		Beneficial interests in community foundations
Balance, December 31, 2019	$	2,390,430
Change in beneficial interests in community foundations		285,926
Deposits		-
Distributions		(17,907)
Balance, December 31, 2020		2,658,449
Change in beneficial interests in community foundations		371,756
Deposits		-
Distributions		(367,887)
Balance, December 31, 2021	$	2,662,318
The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains in assets measured at fair value still held at December 31, 2021	$	371,756

(8) Client deposit account

The Organization acts in a fiduciary capacity as custodian of client funds entrusted to them. These funds are kept separately and are segregated from operating account funds. Client funds are deposited in a separate client deposit account in a federally insured financial institution. At December 31, 2021 and 2020 the Organization held client funds of $11,000 and $17,000 respectively.

(9) PPP grant revenue

The Organization applied for and received a forgivable Paycheck Protection Program (PPP) loan of approximately $557,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act during the year ended December 31, 2020. The Organization accounted for the PPP loan as a conditional contribution and recognized grant revenue of $557,000 during the year ended December 31, 2020. Under the terms of the loan, the balance is forgivable to the extent proceeds are used for certain qualified costs during the measurement period and that certain employment levels are maintained. The Organization received notice of legal release of the obligation in the amount of $557,000 from the Small Business Administration during the year ended December 31, 2020.

(10) Net assets

The net assets are summarized as follows as of December 31, 2021:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 3,194,998	$ -	$ 3,194,998
Net investment in property and equipment	4,559,729	-	4,559,729
Designated by the board for:			
Operating reserve	3,974,081	-	3,974,081
Quasi-endowment	67,622	-	67,622
Restricted for specific purposes:			
School programs	-	91,194	91,194
Marketing	-	28,000	28,000
Youth development - Cimarron	-	13,000	13,000
Youth development - Landfall	-	-	-
Endowment funds restricted in perpetuity:			
Restricted for facilities and equipment	-	2,106,566	2,106,566
Available for general operating purposes	-	488,130	488,130
	$ 11,796,430	$ 2,726,890	$ 14,523,320

(10) <u>Net assets</u> (continued)

The net assets are summarized as follows as of December 31, 2020:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 2,527,129	$ -	$ 2,527,129
Net investment in property and equipment	4,448,177	-	4,448,177
Designated by the board for:			
Operating reserve	3,373,156	-	3,373,156
Quasi-endowment	56,570	-	56,570
Restricted for specific purposes:			
School programs	-	132,548	132,548
Marketing	-	28,000	28,000
Youth development - Cimarron	-	46,246	46,246
Youth development - Landfall		53,246	53,246
Endowment funds restricted in perpetuity:	-		
Restricted for facilities and equipment	-	2,177,104	2,177,104
Available for general operating purposes	-	424,775	424,775
	$ 10,405,032	$ 2,861,919	$ 13,266,951

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or by the occurrence of other events specified by donors. Net assets released from restrictions for the year ended December 31, 2021 and 2020 are as follows:

	2021	**2020**
Purpose restriction accomplished:		
School programs	$ 62,631	$ 42,952
Consumer credit counseling services	-	7,084
Youth development-Cimarron	46,246	13,959
Youth development-Landfall	66,246	55,626
Caregiver support	-	12,247
Marketing	-	4,000
Time restrictions expired:		
Release of appropriated endowment returns without purpose restrictions	17,889	17,907
Release of appropriated endowment returns with purpose restrictions	350,000	-
Total restrictions accomplished	$ 543,012	$ 153,775

(11) Endowments

The Organization has established two funds, which are held as a beneficial interest in assets at the St. Paul & Minnesota Foundation and the St. Croix Valley Foundation. In certain circumstances FamilyMeans has the opportunity to withdraw some or all of the interests from the Foundations. These funds are a means of safeguarding valuable services for families and maintaining capital resources owned by the agency. The long term fund at the St. Paul & Minnesota Foundation helps support programs and can have a stabilizing effect on the somewhat unpredictable funding streams available to family service organizations. The long term facility fund at the St. Croix Valley Foundation generates funds to be used to repair, replace, upgrade, build or purchase facilities and equipment. This fund will not be used to pay for annual operational expenses related to facilities.

An endowment is one way the Board of Directors and the community insure the Organization's capacity to serve families far into the future. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law - The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (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 Organization retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, as applicable. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

(11) Endowments (continued)

Endowment composition and changes in endowment net assets

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 1,172,114	$ 1,172,114
Accumulated investment gains-subject to appropriation under UPMIFA	-	1,422,582	1,422,582
Board-designated endowment funds	67,622	-	67,622
Total endowment net assets	$ 67,622	$ 2,594,696	$ 2,662,318

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 1,172,114	$ 1,172,114
Accumulated investment gains-subject to appropriation under UPMIFA	-	1,429,765	1,429,765
Board-designated endowment funds	56,570	-	56,570
Total endowment net assets	$ 56,570	$ 2,601,879	$ 2,658,449

(11) Endowments (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 56,570	$ 2,601,879	$ 2,658,449
Investment return (loss)	11,052	360,704	371,756
Appropriation of endowment assets for expenditure	-	(367,887)	(367,887)
Endowment net assets, end of year	$ 67,622	$ 2,594,696	$ 2,662,318

Changes in endowment net assets for the fiscal year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 52,950	$ 2,337,480	$ 2,390,430
Investment return (loss)	3,620	282,306	285,926
Appropriation of endowment assets for expenditure	-	(17,907)	(17,907)
Endowment net assets, end of year	$ 56,570	$ 2,601,879	$ 2,658,449

Endowment funds with deficits - From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such underwater endowments as of December 31, 2021 and 2020.

Return objectives, risk parameters and strategies - The trustees of the beneficial interests, the St. Croix Valley Foundation and the St. Paul & Minnesota Foundation, have the sole discretion as to the investment and reinvestment of the assets of the Funds. The primary investment objective of these accounts is capital preservation.

Spending policy and how the return objectives relate to spending policy - The long term fund at the St. Paul & Minnesota Foundation provides annual grants to FamilyMeans which help to support programs. Each year the agency anticipates a minimum payout of 3% to 5% over the three year trailing average balance of the endowment funds.

(11) **Endowments (continued)**

Spending policy and how the return objectives relate to spending (continued) - The building endowment at the St. Croix Valley Foundation also allows for annual grants to the agency. These funds are restricted for long term care and maintenance of the facility. The amount of the distribution available is 5% of the average value of the fund balance over the previous 12 quarters, however, larger distributions can be requested. Grants available but not appropriated for expenditure at December 31, 2021 and 2020 were $0 and $87,000, respectively.

(12) **In-kind contributions**

A number of volunteers with specific skills have donated their time to the Organization. The volunteers provided services for the Caregiver Support and social services programs. These services, plus other in-kind contributions to the Organization for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Services-caregiver support and social services programs	$ 15,566	$ 9,088
Rent - Cimarron	67,788	65,268
Rent - Landfall building	10,000	10,000
Google Adwords grant	43,969	39,551
Total	$ 137,323	$ 123,907

(13) **Pension plan**

The Organization has a defined contribution plan covering substantially all of its employees. The Organization contributes 3% of the participant's compensation. Contributions to the plan and plan expenses for the years ended December 31, 2021 and 2020 were $49,000 and $63,000, respectively.

(14) **Leases**

The Organization leases office space in western Wisconsin, the Twin Cities metro area, and southwest Minnesota. Required monthly lease payments range from $400 to $1,900 with lease terms ending from January 2022 to September 2024.

The Organization entered into a land lease in Washington County, Minnesota providing for the construction and operation of a youth center owned by the Organization. The required annual lease payment is $1. The Organization is responsible for all premiums for property and liability insurance, and property taxes covering the leased premises. The lease is for a term of 30 years ending in June 2043 with options to renew the term for three consecutive periods of five years each.

Rent expense for the years ended December 31, 2021 and 2020 amounted to $19,000 and $18,000, respectively.

(15) Transfers of assets to a recipient organization

Endowment funds were established at the St. Croix Valley Foundation (SCVF) for the benefit of FamilyMeans. The fair value of these funds is approximately $1,377,000 and $1,025,000 at December 31, 2021 and 2020, respectively. These funds are not included in the financial statements of the Organization. The original contributions to these funds will be preserved in perpetuity. In accordance with the wishes of the donors, it is the intention that a portion of the investment return of these funds are to be paid annually to the Organization and the remaining investment return is to be reinvested in the funds. The SCVF will make distributions to the Organization out of the funds' income in accordance with SCVF's spending policy. SCVF has variance power over the fund. The Organization uses the distributions for general operating purposes. There were no distributions from the funds for the years ended December 31, 2021 and 2020, respectively. The Organization transferred contributions to this endowment fund of $66,000 and $60,000 for the years ended December 31, 2021 and 2020.

(16) Related party transaction

The Organization purchases insurance coverage from a company that is majority-owned by a family member of a director on the Organization's board of directors. During the fiscal years ended December 31, 2021 and 2020, the Organization paid the insurance agency $8,000 and $6,000, respectively, for insurance coverage.