

LIFEWORKS SERVICES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**LIFEWORKS SERVICES, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	11



INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifeworks Services, Inc.
Eagan, Minnesota

We have audited the accompanying financial statements of Lifeworks Services, Inc. which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Lifeworks Services, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lifeworks Services, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 16, 2020

LIFEWORKS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 5,342,325	\$ 4,840,933
Accounts Receivable, Net	5,246,423	5,044,925
Prepaid Expenses	417,192	469,924
Investments	3,064,515	1,008,384
Beneficial Interests in Assets Held by a Community Foundation	15,505,957	13,538,107
Promises to Give, Net	69,500	238,280
Deferred Compensation	317,828	297,977
Property and Equipment, Net	3,756,633	3,847,923
Total Assets	\$ 33,720,373	\$ 29,286,453
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 500,686	\$ 356,629
Accrued Salaries and Related Expenses	2,102,789	1,967,463
Accrued Vacation and Sick Pay	1,766,166	1,607,522
Other Accrued Expenses	3,376	3,660
Deferred Revenue	62,770	6,030
Deferred Leases	64,218	76,849
Deferred Compensation	317,828	297,977
Notes Payable	1,604,337	1,711,558
Total Liabilities	6,422,170	6,027,688
NET ASSETS		
Without Donor Restrictions:		
Designated for Property and Equipment	2,152,296	2,136,365
Board-Designated Operating Reserve	18,570,472	14,546,491
Undesignated	6,477,935	6,462,409
Total Without Donor Restrictions	27,200,703	23,145,265
With Donor Restrictions	97,500	113,500
Total Net Assets	27,298,203	23,258,765
Total Liabilities and Net Assets	\$ 33,720,373	\$ 29,286,453

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Service Contracts	\$ 71,165,934	\$ -	\$ 71,165,934
Vocational Contracts	2,145,436	-	2,145,436
Contributions and Grants	923,985	138,250	1,062,235
Private Pay	49,465	-	49,465
Interest Income	19,382	-	19,382
Investment Income	50,658	-	50,658
Change in Value of Beneficial Interest in Assets Held by Community Foundation	1,967,850	-	1,967,850
Other	78,919	-	78,919
Net Assets Released from Restrictions	154,250	(154,250)	-
Total Support and Revenue	<u>76,555,879</u>	<u>(16,000)</u>	<u>76,539,879</u>
EXPENSES			
Program Services	67,010,540	-	67,010,540
Supporting Services:			
Administration	5,100,689	-	5,100,689
Development	389,212	-	389,212
Total Supporting Services	<u>5,489,901</u>	<u>-</u>	<u>5,489,901</u>
Total Expenses	<u>72,500,441</u>	<u>-</u>	<u>72,500,441</u>
CHANGE IN NET ASSETS	4,055,438	(16,000)	4,039,438
Net Assets - Beginning of Year	<u>23,145,265</u>	<u>113,500</u>	<u>23,258,765</u>
NET ASSETS - END OF YEAR	<u>\$ 27,200,703</u>	<u>\$ 97,500</u>	<u>\$ 27,298,203</u>

See accompanying Notes to Financial Statements.

LIFEWORCS SERVICES, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 69,812,859	\$ -	\$ 69,812,859
2,321,936	-	2,321,936
954,045	195,550	1,149,595
720	-	720
16,156	-	16,156
8,384	-	8,384
(734,045)	-	(734,045)
82,456	-	82,456
370,933	(370,933)	-
72,833,444	(175,383)	72,658,061
65,201,102	-	65,201,102
5,510,385	-	5,510,385
372,391	-	372,391
5,882,776	-	5,882,776
71,083,878	-	71,083,878
1,749,566	(175,383)	1,574,183
21,395,699	288,883	21,684,582
\$ 23,145,265	\$ 113,500	\$ 23,258,765

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services					Total Program Services
	Day Services	Employment Services	Transportation	Fiscal Services	New Business Development	
EXPENSES						
Salaries	\$ 2,143,949	\$ 4,725,358	\$ 472,467	\$ 45,387,747	\$ 105,170	\$ 52,834,691
Payroll Taxes and Benefits	694,708	1,354,376	122,503	3,224,788	29,780	5,426,155
Total Salaries and Related Benefits	2,838,657	6,079,734	594,970	48,612,535	134,950	58,260,846
Fiscal Intermediary Purchase	-	-	-	5,283,697	-	5,283,697
Professional Services	38,937	16,266	3,848	10,906	494	70,451
Travel	68,916	202,986	720,824	144,970	2,209	1,139,905
Advertisement	-	-	-	-	-	-
Insurance	20,772	8,347	50,488	22,140	204	101,951
Occupancy Costs	855,549	158,241	648	83,224	800	1,098,462
Telecommunication/Hosting Services	78,885	74,621	5,156	28,422	474	187,558
Equipment Expenses	102,055	48,454	1,625	27,264	-	179,398
Other Supplies	63,495	23,533	1,695	5,365	19	94,107
Printing	243	524	81	6,013	-	6,861
Postage	54	223	18	12,982	-	13,277
Recruitment, Training, Meetings	14,521	13,892	2,532	39,539	8,763	79,247
Memberships and Subscriptions	11,022	13,548	3,170	8,270	-	36,010
Events	-	-	-	-	-	-
Recognition	8,891	6,520	1,174	4,481	357	21,423
Interest	54,869	-	-	-	-	54,869
Miscellaneous	27,785	76,719	881	275,174	1,919	382,478
Total Expenses	<u>\$ 4,184,651</u>	<u>\$ 6,723,608</u>	<u>\$ 1,387,110</u>	<u>\$ 54,564,982</u>	<u>\$ 150,189</u>	<u>\$ 67,010,540</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

<u>Supporting Services</u>		
<u>Administration</u>	<u>Development</u>	<u>2019 Total</u>
\$ 2,245,837	\$ 136,452	\$ 55,216,980
<u>577,208</u>	<u>35,727</u>	<u>6,039,090</u>
2,823,045	172,179	61,256,070
-	-	5,283,697
757,351	37,954	865,756
13,857	76	1,153,838
89,426	-	89,426
13,812	-	115,763
294,079	-	1,392,541
356,469	8,166	552,193
450,044	1,367	630,809
26,361	-	120,468
48,933	11,515	67,309
39,220	4,083	56,580
61,230	1,188	141,665
49,559	3,335	88,904
110	140,419	140,529
20,878	406	42,707
-	-	54,869
<u>56,315</u>	<u>8,524</u>	<u>447,317</u>
<u>\$ 5,100,689</u>	<u>\$ 389,212</u>	<u>\$ 72,500,441</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

EXPENSES	Program Services				Total Program Services
	Day Services	Employment Services	Transportation	Fiscal Services	
Salaries	\$ 2,171,690	\$ 4,865,307	\$ 511,225	\$ 43,021,634	\$ 50,569,856
Payroll Taxes and Benefits	689,874	1,253,770	112,317	3,786,559	5,842,520
Total Salaries and Related Benefits	2,861,564	6,119,077	623,542	46,808,193	56,412,376
Fiscal Intermediary Purchase	-	-	-	5,509,300	5,509,300
Professional Services	49,972	750	-	8,483	59,205
Travel	98,447	177,643	710,015	141,565	1,127,670
Advertisement	1,000	-	-	30	1,030
Insurance	22,304	8,640	52,461	16,368	99,773
Occupancy Costs	945,483	156,193	38	84,582	1,186,296
Telecommunication/Hosting Services	83,905	75,464	4,271	26,211	189,851
Equipment Expenses	88,247	55,201	4,637	19,580	167,665
Other Supplies	57,750	17,689	40	7,165	82,644
Printing	127	305	-	4,159	4,591
Postage	184	253	-	12,916	13,353
Recruitment, Training and Meetings	13,279	11,476	2,438	35,267	62,460
Memberships and Subscriptions	11,600	1,737	-	10,836	24,173
Events	-	-	-	-	-
Recognition	8,373	5,811	652	1,869	16,705
Interest	58,345	-	-	-	58,345
Miscellaneous	27,255	13,280	4,035	141,095	185,665
Total Expenses	<u>\$ 4,327,835</u>	<u>\$ 6,643,519</u>	<u>\$ 1,402,129</u>	<u>\$ 52,827,619</u>	<u>\$ 65,201,102</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

<u>Supporting Services</u>		
<u>Administration</u>	<u>Development</u>	<u>2018 Total</u>
\$ 2,437,066	\$ 128,422	\$ 53,135,344
662,180	29,909	6,534,609
3,099,246	158,331	59,669,953
-	-	5,509,300
807,721	45,293	912,219
14,700	1,374	1,143,744
60,655	-	61,685
11,396	-	111,169
345,869	834	1,532,999
284,130	291	474,272
563,401	19	731,085
28,116	-	110,760
49,364	6,783	60,738
33,995	4,396	51,744
56,288	2,693	121,441
44,267	365	68,805
1,852	142,438	144,290
22,340	355	39,400
2	-	58,347
87,043	9,219	281,927
<u>\$ 5,510,385</u>	<u>\$ 372,391</u>	<u>\$ 71,083,878</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,039,438	\$ 1,574,183
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	563,457	696,909
Uncompensated Care	207,780	147,958
Gain on Disposal of Property and Equipment	(4,369)	(35,074)
Realized and Unrealized Gain on Investments	(56,131)	(8,384)
Change in Beneficial Interests in Assets Held by Community Foundation	(1,967,850)	734,045
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(409,278)	(495,445)
Promises to Give	168,780	(178,111)
Prepaid Expenses	52,732	(8,149)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	144,057	(117,560)
Accrued Salaries and Related Expenses	135,326	(106,229)
Accrued Vacation and Sick Pay	158,644	242,984
Other Accrued Expenses	(284)	(1,131)
Deferred Revenue	56,740	(339)
Deferred Leases	(12,631)	(9,958)
Net Cash Provided by Operating Activities	3,076,411	2,435,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Assets Held by Community Foundation	-	(2,000,000)
Purchases of Investments	(2,000,000)	(1,000,000)
Purchases of Property and Equipment	(472,167)	(280,059)
Proceeds from Sale of Property and Equipment	4,369	35,074
Net Cash Used by Investing Activities	(2,467,798)	(3,244,985)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	(107,221)	(103,745)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	501,392	(913,031)
Cash and Cash Equivalents - Beginning of Year	4,840,933	5,753,964
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,342,325	\$ 4,840,933
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payment for Interest	\$ 54,869	\$ 58,347

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Since 1965, Lifeworks Services Inc. (Lifeworks or the Organization) has been a champion for inclusion. Lifeworks was founded by families who recognized the importance of advocacy and removing barriers for people with disabilities to be part of the community. As an industry leader, Lifeworks continues our commitment to self-determined support, careers with competitive wages, and developing innovative opportunities that enhance lives.

Lifeworks' mission is to serve our community and people with disabilities as we live and work together. Lifeworks' goal is to take a person-centered, person-first approach to support people in reaching the level of independence and inclusion they aim to achieve.

Lifeworks Fiscal Services

Lifeworks supported over 1,900 individuals to self-direct their services in 2019. As an approved Financial Management Services (FMS) provider through the state of Minnesota, Lifeworks helps people enrolled in the Consumer Directed Community Supports (CDCS) and Consumer Support Grant (CSG) programs. Lifeworks also serves as a PCA Choice provider agency and an in-home licensed provider of Personal Support and Respite.

The people supported by Lifeworks, selected, hired, and trained 3,500 employees to provide the assistance they need to live in their homes and access the community.

In 2019, Lifeworks helped 900 people and their affiliated employees transition to a new FMS model through one-to-one support and education summits. To ensure culturally appropriate services, trainings were offered in a variety of languages and leveraged our internal employees fluent in Spanish, Hmong, and Somali. These efforts support the organization's strategic priorities to serve diverse and underserved populations and to help expand our future outreach.

Lifeworks Employment Services

We are driven by the belief that all people can work and have a meaningful impact in their communities. For 35 years, Lifeworks has worked to increase access to opportunities, leading to a more diverse and inclusive workforce in Minnesota. Every day, we help hundreds of people at every phase of their career journey.

In 2019, Lifeworks supported 715 people through our employment services including the coordination of 176 career placements. Eighty-five percent of people we serve, who have employment as a goal, have jobs and are earning on average 15% over the minimum wage and as much as \$23 per hour. Lifeworks continues to build relationships within our community employers, bringing our total number of partners to 535.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Lifeworks Day Services

With programs in Apple Valley, Brooklyn Park, Eagan, Hastings, and Mankato, we encourage people to explore interests and accomplish goals through hands-on learning while receiving the highest quality care. Through Day Services, Lifeworks helped 280 people connect to the community, engage with their peers, and access technology.

Book club, bird watching, and bowling invited community members to spend approximately 4,000 volunteer hours with Lifeworks last year, while the people we serve provided hundreds of hours of their time volunteering in the community. Singers, musicians, and artists shared their talents throughout the Twin Cities creating opportunities for people with disabilities to build community with their neighbors.

Lifeworks New Business Development

Lifeworks developed *Work|Life*[™], a traveling exhibit with an immersive, educational experience, uses personal accounts, photographs, data, and design, to raise awareness and challenge perceptions about employment experiences for people with disabilities. The exhibit is available for community partners and area businesses to display at their location.

Lifeworks offers onsite disability inclusion workshops to help employers diversify their talent and enhance their workplace culture. The educational opportunity is customizable and includes action steps for advocacy and improving accessibility.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Lifeworks considers all without donor restriction, highly liquid financial instruments with an original maturity of three months or less, which are neither held for nor restricted by donors for a long-term purpose, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a provision for uncompensated care expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior year experience and management's analysis. At December 31, 2019 and 2018, the allowance was \$320,000.

Investments

Investments consist of fixed income securities with various maturity dates and are recorded at fair value. Investment income or loss is reported on the statement of activities as without donor restrictions, as there are no restrictions on the income.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Beneficial Interest in Assets Held by Community Foundation

The Organization has an investment fund account held by the St. Paul and Minnesota Community Foundation (the Foundation) as a part of their multi-asset endowment portfolio. The fund was created with the objective of providing lasting support for Lifeworks Services, Inc. The Organization granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques, incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectible promises to give based on historical experiences, an assessment of economic conditions, and a review of subsequent collections.

Promises to give are written off when deemed uncollectible. As of December 31, 2019 and 2018, the allowance was \$3,000, respectively.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are valued at fair market value at the date of the donation. The Organization capitalizes property and equipment with a value of \$5,000 or more. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building	40 Years
Leasehold Improvements	2 to 10 Years
Vehicles	4 to 5 Years
Furniture and Equipment	3 to 7 Years

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment (Continued)

Lifeworks reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represents resources received with no donor-imposed restrictions. Net assets without donor restrictions include amounts that have been designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Net assets with donor restrictions represents resources subject to donor-imposed restrictions which will be satisfied by a specific purpose or time period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization had no donor-restricted net assets that are required to be held in perpetuity at December 31, 2019 and 2018.

The board has designated \$18,570,472 and \$14,546,491 as of December 31, 2019 and 2018, respectively. The board has set aside these funds to be used as an operating reserve to be used for general purposes, day-to-day operations in the event of unforeseen shortfalls, and nonrecurring expenses that will build long-term capacity.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Service and Vocational Contract Revenue

Contracts for services consist of contracts that are exchange transactions in which there is a reciprocal transfer of assets or services between the parties involved in the grant or contract. Exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue on the statements of financial position.

Lifeworks participates in the Medicaid program and is reimbursed for contracted services based on established rates. Revenue is recognized based on the date of services provided.

Contributions and Grants Revenue

Contributions received are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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 statements of activities as Net Assets Released from Restrictions. Conditional contributions and grants received but not yet earned are recorded as deferred revenue on the statements of financial position.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$89,404 and \$61,685 during the years ended December 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The cost of program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the programs and supporting services benefited. The expenses allocated included occupancy and related expenses based on square footage, and salaries, payroll taxes, employer-paid benefits, professional services, travel, insurance, technology, office expenses, interest, and other, which were allocated based on estimates of time and effort.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

Lifeworks is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). The Organization undergoes an annual analysis of its various tax positions. The Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

The Organization believes that it has appropriate support for any tax position taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits or expenses in income tax expenses if incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and investment with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. Credit risk associated with accounts receivable and promises to give are considered to be limited due to high historical collection rates. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Adoption of Accounting Principle

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Organization's financial statements reflect the application of ASU 2018-08 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 did not impact Lifework's reported revenue.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Adoption of Accounting Principle (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted a full retrospective approach to the ASU. The adoption of ASU 2014-09 did not impact the Organization's reported revenue.

Subsequent Events

The Organization has evaluated subsequent events through April 16, 2020, the date which the financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The fair value of the multi-asset endowment portfolio assets held at the Foundation is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

The following table present assets measured at fair value on a recurring basis, at December 31:

	<u>Fair Value Measurement at Report Date Using</u>			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>December 31, 2019</u>				
Fixed Income	\$ 3,064,515	\$ -	\$ -	\$ 3,064,515
Beneficial Interest in Multi-Assets Endowment Portfolio Assets Held at the St. Paul and Minnesota Community Foundation	-	-	15,505,957	15,505,957
Total	<u>\$ 3,064,515</u>	<u>\$ -</u>	<u>\$ 15,505,957</u>	<u>\$ 18,570,472</u>
<u>December 31, 2018</u>				
Fixed Income	\$ 1,008,384	\$ -	\$ -	\$ 1,008,384
Beneficial Interest in Multi-Assets Endowment Portfolio Assets Held at the St. Paul and Minnesota Community Foundation	-	\$ -	13,538,107	13,538,107
Total	<u>\$ 1,008,384</u>	<u>\$ -</u>	<u>\$ 13,538,107</u>	<u>\$ 14,546,491</u>

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)
	Assets Held by Community Foundation
<u>Year Ended December 31, 2019</u>	
Balance at December 31, 2018	\$ 13,538,107
Investment Return, Net	1,967,850
Balance at December 31, 2019	\$ 15,505,957
 <u>Year Ended December 31, 2018</u>	
Balance at December 31, 2017	\$ 12,272,152
Purchases/Contributions of Investments	2,000,000
Investment Return, Net	(734,045)
Balance at December 31, 2018	\$ 13,538,107

NOTE 3 PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	2019	2018
Operating	\$ 72,500	\$ 123,850
Vehicle	-	117,430
Total	72,500	241,280
Less: Allowance for Uncollectible		
Promises Receivable	3,000	3,000
Promises to Give, Net	\$ 69,500	\$ 238,280

At December 31, 2019 and 2018, promises to give were expected to be collected within 12 months.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2019	2018
Land	\$ 556,228	\$ 556,228
Building	2,803,340	2,794,446
Leasehold Improvements	1,369,034	1,337,833
Vehicles	1,292,307	1,211,458
Furniture and Equipment	3,817,189	3,633,168
Total	<u>9,838,098</u>	<u>9,533,133</u>
Less: Accumulated Depreciation	6,081,465	5,685,210
Property and Equipment, Net	<u>\$ 3,756,633</u>	<u>\$ 3,847,923</u>

NOTE 5 LINE OF CREDIT

At December 31, 2019, the Organization has a revolving line of credit available from a financial institution. The line of credit from October 31, 2013 through October 31 2019 was limited to \$3,000,000. A new line of credit was entered into starting October 29, 2019 through October 29, 2020 and is limited to \$5,000,000 for the year. The credit line bears interest at a fluctuating rate determined by the financial institution and will bear an interest rate floor of 5.25% for the line of credit ending October 31 2019 and 4.5% for the current line of credit. Both lines were secured by general business assets, accounts receivable, and equipment. There was no outstanding balance as of December 31, 2019 and December 31, 2018.

NOTE 6 NOTES PAYABLE

Notes payable consisted of the following:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Education Facilities Revenue Bond with the City of Apple Valley Assigned to Minnesota Bank & Trust; Payments Due in Monthly Installments of \$13,508, Including Interest at 3.3% Beginning January 1, 2017; Maturing December 31, 2021. Secured by a Mortgage and Security Agreement.	<u>\$ 1,604,337</u>	<u>\$ 1,711,558</u>

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 NOTES PAYABLE (CONTINUED)

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 110,813
2021	114,526
2022	118,363
2023	122,329
2024	126,427
Thereafter	1,011,879
Total	<u>\$ 1,604,337</u>

The outstanding note payable requires compliance with certain financial and nonfinancial covenants.

NOTE 7 LEASES

The Organization leases space and some equipment for its operations under operating leases with payments ranging from \$1,000 to \$24,128 per month. In addition to monthly rent payments, some of the leases require the Organization to pay real estate taxes, insurance, and other occupancy costs. The lease agreements' ending dates vary from December 31, 2020 to March 31, 2023.

Certain leases include escalating rent payments. The leases have been accounted for utilizing the straight-line method and rent expense has been spread evenly over the life of the lease. The difference between the actual rent payments on these leases compared to the straight-line rent expense amount has been recognized on the statements of financial position as deferred leases.

Future minimum lease payments for the operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 530,211
2021	500,031
2022	359,506
2023	53,950
Total	<u>\$ 1,443,698</u>

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 DONATED GOODS AND SERVICES

Donations of goods and services are used to support program services and are stated based on a good faith estimate of the value of goods or services.

	Year Ended December 31, 2019			
Program	Services	Administration	Development	Total
Professional Fees	\$ -	\$ 48,567	\$ -	\$ 48,567
Program Supplies and Activities	2,675	-	-	2,675
Wireless Communications	-	64,308	-	64,308
Events	-	-	36,721	36,721
Other	221	21,320	-	21,541
Total	\$ 2,896	\$ 134,195	\$ 36,721	\$ 173,812

	Year Ended December 31, 2018			
Program	Services	Administration	Development	Total
Professional Fees	\$ -	\$ 43,067	\$ -	\$ 43,067
Program Supplies and Activities	1,474	-	-	1,474
Wireless Communications	-	64,308	-	64,308
Events	-	-	38,156	38,156
Other	85	1,889	216	2,190
Total	\$ 1,559	\$ 109,264	\$ 38,372	\$ 149,195

Sixty volunteers contributed approximately 4,314 hours of service to Lifeworks during 2019, and 69 volunteers contributed approximately 3,371 hours of service to Lifeworks during 2018.

NOTE 9 DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets at December 31 consist of:

	2019	2018
2020 Annual Event	\$ 97,500	\$ -
2019 Annual Event	-	113,500
Total	\$ 97,500	\$ 113,500

Net assets were released from restrictions as follows during the years ended December 31:

	2019	2018
Grant Vehicle(s)	\$ -	\$ 187,883
2019 Annual Event	154,250	-
2018 Annual Event	-	183,050
Total	\$ 154,250	\$ 370,933

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

A portion of Lifeworks' employees are covered by collective bargaining agreements.

The agreement between Lifeworks and Education Minnesota (the union employees) was in effect from August 1, 2017 to July 31, 2019. On August 21, 2019, the union voted and officially decertified. As of December 31, 2019 and 2018, approximately 0% and 4% of the Organization's employees were represented by this collective bargaining agreement, respectively.

The agreement between SEIU Healthcare Minnesota and the state of Minnesota (the fiscal service union employees) was in effect from August 1, 2017 through July 31, 2019. An updated agreement is in effect from July 1, 2019 through June 30, 2021. As of December 31, 2019 and 2018, approximately 60% and 62% of the Organization's employees were represented by this collective bargaining agreement, respectively.

NOTE 11 RETIREMENT BENEFITS

Lifeworks has a defined contribution salary deferral plan. Employees are eligible to participate in this 403(b) plan maintained by the Organization any time after their date of hire.

For eligible nonunion employees, the Organization intends to continue to provide a 3% contribution as a discretionary contribution under the 403(b) retirement plan, as well as contribute annually a 100% matching contribution on the eligible nonunion employee's elective deferral contributions to the 403(b) retirement plan, up to a maximum of 4% of the employee's compensation. The Organization's contributions to the 403(b) retirement plan are fully vested after three years of employment.

For union employees covered by Education Minnesota, the Organization contributed 3% of each eligible union employees' compensation to the 403(b) retirement plan, as well as contributed a 100% matching contribution on the eligible union employee's elective deferral contributions to the 403(b) retirement plan, up to a maximum of 4% of the employee's compensation. The Organization's contributions to the 403(b) retirement plan are fully vested after three years of employment. On August 21, 2019, the union voted and officially decertified.

Employer contributions to the plans, for nonunion employees, were \$340,763 and \$261,723 for 2019 and 2018, respectively. Employer contributions to the retirement plan for union employees were \$136,684 and \$200,707 for 2019 and 2018, respectively.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 12 DEFERRED COMPENSATION

The Organization has a deferred compensation agreement with select highly compensated employees which calls for the Organization to fund an Internal Revenue Code Section 457(b) deferred compensation plan. Deferred compensation of up to 7% of the employee's salary contract or the maximum limitation allowed pursuant to Section 457(b) of the code, is paid to fund annuity contracts. These 457(b) deferred compensation plans were fully funded as of December 31, 2019 and 2018. Deferred compensation payments and expense under the agreement were \$46,808 and \$59,319 for 2019 and 2018, respectively.

NOTE 13 CONCENTRATIONS

The Organization receives a substantial amount of its support and revenue from Medicaid which made up 96% of revenue in 2019 and 2018. A significant reduction in the level of revenue received by Medicaid may have an effect on the Organization's ability to continue its programs and activities.

NOTE 14 CONTINGENCIES

Lifeworks Fiscal and In-Home Service programs provide in-home personal care and fiscal intermediary services to allow individuals to continue living at home. A majority of this funding is provided by the state of Minnesota's medical assistance waiver program. Lifeworks' role is to manage the employment, training, payroll services, and reimbursements of qualified expenses within a client's approved plan including billing the state, county, or insurance companies for those services. If Lifeworks inadvertently approves expenses that are later denied for reimbursement, Lifeworks could be at risk for payment of these services. Revenue related to this program totaled \$60,433,784 and \$58,830,789 for 2019 and 2018, respectively. Administrative fees were allocated to the program of \$2,854,749 and \$3,513,427 for 2019 and 2018, respectively.

NOTE 15 RELATED PARTY TRANSACTION

During the year ended December 31, 2015, Lifeworks entered into a memorandum of understanding (MOA) with other nonprofit organizations (the Parties) relating to the creation and coordination of a collaborative effort referred to as Altair Accountable Care Organization dba: Disability Community Collaborative (the Collaborative). The purpose of the Collaborative is to improve the coordination of disability services between and among the Parties, to create quality measurement and data-sharing mechanisms that can be utilized by all Parties, and to help the Parties meet the needs of disabled individuals in Minnesota through a new Life Plan process. Under this MOA, Lifeworks appoints its Chief Executive Officer to represent Lifeworks as an executive committee member of the Collaborative. This member has voting rights. During the years ended December 31, 2019 and 2018, Lifeworks paid \$35,750 and \$27,400 respectively to the Collaborative to assist in the implementation of the action plan defined within the MOA. During the years ended December 31, 2019 and 2018, Lifeworks received \$21,000 and \$34,500, respectively, from the Collaborative in return for delivering on milestones as noted in the MOA.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 16 LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short- and long-term investment vehicles. Occasionally, the board designates a portion of any operating surplus to its operating reserve, which was \$18,570,472 and \$14,546,491 as of December 31, 2019 and 2018, respectively. The target minimum board-designated financial asset is equal to 60 days of average projected operating costs not to fall below any contractual minimum net asset requirement. There are established board-designed funds where the governing board has the objective of setting funds aside to be drawn upon in the event of unforeseen shortfalls. Funds may be used for one-time, nonrecurring expenses to build long-term capacity, such as staff development, research and development or investment in infrastructure. Funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution. In the event of an unanticipated liquidity need, the Organization could draw upon its \$5 million of available line of credit (as further discussed in Note 5).

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 5,342,325	\$ 4,840,933
Accounts Receivable, Net of Allowance	5,246,423	5,044,925
Promises to Give, Net of Allowance	69,500	238,280
Investments	3,064,515	1,008,384
Beneficial Interests in Assets Held by a Community Foundation	<u>15,505,957</u>	<u>13,538,107</u>
Total	29,228,720	24,670,629
Less: Restricted Net Assets Unavailable for General Expenditures	(97,500)	(113,500)
Less: Board-Designated Funds	<u>(18,570,472)</u>	<u>(14,546,491)</u>
Financial Assets Available Within One Year for General Expenditures	<u><u>\$ 10,560,748</u></u>	<u><u>\$ 10,010,638</u></u>

NOTE 17 SUBSEQUENT EVENT

Subsequent to year end, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Both domestic and international equity markets have experienced significant declines since December 31, 2019. As of April 16, 2020, the amount and likelihood of loss relating to these events is not determined. The 2020 annual event has been cancelled due to COVID-19.