

LIFEWORKS SERVICES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**LIFEWORKS SERVICES, INC.
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 15, 2021

LIFEWORKS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 7,502,131	\$ 5,342,325
Accounts Receivable, Net	6,652,618	5,246,423
Prepaid Expenses	387,331	417,192
Investments	3,091,374	3,064,515
Beneficial Interests in Assets Held by a Community Foundation	16,788,885	15,505,957
Promises to Give, Net	4,583	69,500
Deferred Compensation	318,850	317,828
Property and Equipment, Net	3,293,449	3,756,633
Total Assets	\$ 38,039,221	\$ 33,720,373
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 911,669	\$ 500,686
Accrued Salaries and Related Expenses	3,624,467	2,102,789
Accrued Vacation and Sick Pay	2,040,638	1,766,166
Other Accrued Expenses	600	3,376
Deferred Revenue	1,815	62,770
Deferred Leases	69,451	64,218
Deferred Compensation	318,850	317,828
Notes Payable	1,493,524	1,604,337
Total Liabilities	8,461,014	6,422,170
NET ASSETS		
Without Donor Restrictions:		
Designated for Property and Equipment	1,799,925	2,152,296
Board-Designated Operating Reserve	19,880,259	18,570,472
Undesignated	7,892,523	6,477,935
Total Without Donor Restrictions	29,572,707	27,200,703
With Donor Restrictions	5,500	97,500
Total Net Assets	29,578,207	27,298,203
Total Liabilities and Net Assets	\$ 38,039,221	\$ 33,720,373

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Service Contracts	\$ 71,487,806	\$ -	\$ 71,487,806
Vocational Contracts	1,331,451	-	1,331,451
Contributions and Grants	814,982	117,500	932,482
Private Pay	22,171	-	22,171
Interest Income	11,684	-	11,684
Investment Income	27,177	-	27,177
Change in Value of Beneficial Interest in Assets Held by Community Foundation	1,282,928	-	1,282,928
COVID Relief Contributions and Grants	2,783,598	-	2,783,598
Other	127,666	-	127,666
Net Assets Released from Restrictions	209,500	(209,500)	-
Total Support and Revenue	<u>78,098,963</u>	<u>(92,000)</u>	<u>78,006,963</u>
EXPENSES			
Program Services	69,970,183	-	69,970,183
Supporting Services:			
Administration	5,422,972	-	5,422,972
Development	333,804	-	333,804
Total Supporting Services	<u>5,756,776</u>	<u>-</u>	<u>5,756,776</u>
Total Expenses	<u>75,726,959</u>	<u>-</u>	<u>75,726,959</u>
CHANGE IN NET ASSETS	2,372,004	(92,000)	2,280,004
Net Assets - Beginning of Year	<u>27,200,703</u>	<u>97,500</u>	<u>27,298,203</u>
NET ASSETS - END OF YEAR	<u>\$ 29,572,707</u>	<u>\$ 5,500</u>	<u>\$ 29,578,207</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	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
COVID Relief Contributions and Grants	-	-	-
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.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services					Total Program Services
	Day Services	Employment Services	Transportation	Fiscal Services	New Business Development	
EXPENSES						
Salaries	\$ 1,495,174	\$ 3,881,505	\$ 277,105	\$ 50,191,862	\$ 142,953	\$ 55,988,599
Payroll Taxes and Benefits	831,660	1,724,122	140,046	3,859,255	52,056	6,607,139
Total Salaries and Related Benefits	2,326,834	5,605,627	417,151	54,051,117	195,009	62,595,738
Fiscal Intermediary Purchase	-	-	-	4,551,103	-	4,551,103
Professional Services	18,423	11,757	1,689	1,129	1,950	34,948
Travel	15,079	119,075	365,009	94,320	652	594,135
Advertisement	-	-	-	-	1,000	1,000
Insurance	24,311	11,467	31,978	20,253	252	88,261
Occupancy Costs	793,069	144,128	311	77,100	1,200	1,015,808
Telecommunication/Hosting Services	76,671	76,155	8,327	34,017	2,188	197,358
Equipment Expenses	147,341	48,260	1,927	11,326	-	208,854
Other Supplies	28,587	16,641	759	5,317	-	51,304
Printing	1,686	561	46	8,319	1,855	12,467
Postage	2,037	2,056	381	16,433	-	20,907
Recruitment, Training, Meetings	2,819	4,051	496	22,007	8,126	37,499
Memberships and Subscriptions	2,093	2,474	502	10,087	-	15,156
Events	-	-	-	-	-	-
Recognition	5,530	8,898	575	1,788	166	16,957
Interest	51,277	-	-	-	-	51,277
Miscellaneous	23,205	48,500	715	406,866	(1,875)	477,411
Total Functional Expenses	<u>\$ 3,518,962</u>	<u>\$ 6,099,650</u>	<u>\$ 829,866</u>	<u>\$ 59,311,182</u>	<u>\$ 210,523</u>	<u>\$ 69,970,183</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

EXPENSES	Supporting Services		
	Administration	Development	2020 Total
Salaries	\$ 2,222,368	\$ 191,537	\$ 58,402,504
Payroll Taxes and Benefits	602,357	49,012	7,258,508
Total Salaries and Related Benefits	2,824,725	240,549	65,661,012
Fiscal Intermediary Purchase	-	-	4,551,103
Professional Services	729,043	21,899	785,890
Travel	3,206	-	597,341
Advertisement	362,800	-	363,800
Insurance	15,665	-	103,926
Occupancy Costs	276,966	225	1,292,999
Telecommunication/Hosting Services	398,378	5,483	601,219
Equipment Expenses	550,532	1,372	760,758
Other Supplies	5,417	41	56,762
Printing	37,383	13,878	63,728
Postage	30,859	6,692	58,458
Recruitment, Training, Meetings	36,182	1,752	75,433
Memberships and Subscriptions	58,898	1,385	75,439
Events	750	43,529	44,279
Recognition	12,517	-	29,474
Interest	-	-	51,277
Miscellaneous	79,651	(3,001)	554,061
Total Functional Expenses	\$ 5,422,972	\$ 333,804	\$ 75,726,959

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 and 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 Functional 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

EXPENSES	Supporting Services		2019
	Administration	Development	Total
Salaries	\$ 2,245,837	\$ 136,452	\$ 55,216,980
Payroll Taxes and Benefits	577,208	35,727	6,039,090
Total Salaries and Related Benefits	2,823,045	172,179	61,256,070
Fiscal Intermediary Purchase	-	-	5,283,697
Professional Services	757,351	37,954	865,756
Travel	13,857	76	1,153,838
Advertisement	89,426	-	89,426
Insurance	13,812	-	115,763
Occupancy Costs	294,079	-	1,392,541
Telecommunication/Hosting Services	356,469	8,166	552,193
Equipment Expenses	450,044	1,367	630,809
Other Supplies	26,361	-	120,468
Printing	48,933	11,515	67,309
Postage	39,220	4,083	56,580
Recruitment, Training and Meetings	61,230	1,188	141,665
Memberships and Subscriptions	49,559	3,335	88,904
Events	110	140,419	140,529
Recognition	20,878	406	42,707
Interest	-	-	54,869
Miscellaneous	56,315	8,524	447,317
Total Functional Expenses	\$ 5,100,689	\$ 389,212	\$ 72,500,441

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,280,004	\$ 4,039,438
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	612,698	563,457
Uncompensated Care	429,386	207,780
Gain on Disposal of Property and Equipment	(10,090)	(4,369)
Realized and Unrealized Gain on Investments	(26,859)	(56,131)
Change in Beneficial Interests in Assets		
Held by Community Foundation	(1,282,928)	(1,967,850)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(1,835,581)	(409,278)
Promises to Give	64,917	168,780
Prepaid Expenses	29,861	52,732
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	410,983	144,057
Accrued Salaries and Related Expenses	1,521,678	135,326
Accrued Vacation and Sick Pay	274,472	158,644
Other Accrued Expenses	(2,776)	(284)
Deferred Revenue	(60,955)	56,740
Deferred Leases	5,233	(12,631)
Net Cash Provided by Operating Activities	2,410,043	3,076,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(2,000,000)
Purchases of Property and Equipment	(149,514)	(472,167)
Proceeds from Sale of Property and Equipment	10,090	4,369
Net Cash Used by Investing Activities	(139,424)	(2,467,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	(110,813)	(107,221)
INCREASE IN CASH AND CASH EQUIVALENTS	2,159,806	501,392
Cash and Cash Equivalents - Beginning of Year	5,342,325	4,840,933
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,502,131	\$ 5,342,325
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payment for Interest	\$ 51,277	\$ 54,869

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 Fiscal Management Services

Lifeworks supported over 1,900 individuals to self-direct their services in 2020. 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 2020, Lifeworks added Night Supervision as a service offering, allowing families to hire staff who remain awake overnight and assist with following a participant's plan, encouraging skill development and helping with activities of daily living.

Lifeworks Employment Services

For 35 years, Lifeworks has worked to remove barriers and increase access to opportunities, leading to a more diverse and inclusive workforce in Minnesota. Lifeworks is driven by the belief that all people can work and have a meaningful impact in their communities.

In 2020, Lifeworks supported 733 people through our employment services including the coordination of 103 career placements. Participants in the workforce earned an average wage of \$12.32 per hour with wages as high as \$23 per hour. Feedback from people served showed 87% of surveyed respondents feeling a deeper connection to their community in 2020 and 83% of the respondents agreeing that they learned and grew during their job search.

Additionally, in 2020, Lifeworks began providing Pre-Employment Transition Services as a partner of Minnesota's Vocational Rehabilitation Services. This new offering is available to individuals with disabilities between the ages of 14 and 21 and provides counselling and training in job exploration, work-based learning, post-secondary education, workplace readiness, and self-advocacy.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Lifeworks Day Services

Through Day Services, Lifeworks supported more than 280 people as they connected to the community, engaged with their peers, and accessed technology.

In 2020, Lifeworks offered individualized in-person and remote services throughout the Twin Cities and Mankato areas. Individual Day Services offer a personalized experience that allow participants to lead the way while Lifeworks staff provide opportunities to develop skills, build connections, and explore interests.

Lifeworks also launched free, on-demand, virtual music therapy sessions for individuals to access via YouTube created and led by our board-certified Music Therapists.

Lifeworks New Business Development

Lifeworks offers educational opportunities through workshops, webinars, and speaking engagements for businesses, self-advocates, service providers, and other communities. The disability-focused topics include ableism, disability inclusion, sustainable hiring, and workplace discrimination. In 2020, Lifeworks led 10 presentations and eight state and national conferences and hosted one, full-day self-advocacy conference for people with disabilities.

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, 2020 and 2019, 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, 2020 AND 2019

**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, 2020 and 2019, the allowance was \$-0- and \$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, 2020 AND 2019

**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, 2020 and 2019.

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, 2020 and 2019.

The board has designated \$19,880,259 and \$18,570,472 as of December 31, 2020 and 2019, 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, 2020 AND 2019

**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 (U.S. GAAP). 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.

COVID Relief Contributions and Grants

The Organization received both federal and state funding to respond to the impacts of the pandemic associated with COVID-19, including funding from the federal CARES Act to assist with COVID-19 related expenses, assist with unemployment claims and provide funds for lost revenue, along with and funding from the Minnesota Department of Human Services for COVID-19 related expenses.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$363,800 and \$89,426 during the years ended December 31, 2020 and 2019, respectively.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Functional Allocation of Expenses

The cost of program services and supporting activities 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 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.

Income Taxes

Lifeworks is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 U.S. GAAP 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.

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NOTES TO FINANCIAL STATEMENTS
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**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsequent Events

The Organization has evaluated subsequent events through April 15, 2021, 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.
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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, 2020</u>				
Fixed Income	\$ 2,571,618	\$ -	\$ -	\$ 2,571,618
Beneficial Interest in Multi-Assets				
Endowment Portfolio Assets				
Held at the St. Paul and Minnesota Community Foundation			16,788,885	16,788,885
Total	2,571,618	-	16,788,885	19,360,503
Cash and Cash Equivalents	-	-	-	519,756
Total	<u>\$ 2,571,618</u>	<u>\$ -</u>	<u>\$ 16,788,885</u>	<u>\$ 19,880,259</u>
<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>

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2020</u>	
Balance at December 31, 2019	\$ 15,505,957
Investment Return, Net	1,282,928
Balance at December 31, 2020	\$ 16,788,885
 <u>Year Ended December 31, 2019</u>	
Balance at December 31, 2017	\$ 13,538,107
Investment Return, Net	1,967,850
Balance at December 31, 2018	\$ 15,505,957

NOTE 3 PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	2020	2019
Operating Support	\$ 4,583	\$ 72,500
Less: Allowance for Uncollectible Promises Receivable	-	(3,000)
Promises to Give, Net	\$ 4,583	\$ 69,500

At December 31, 2020 and 2019, promises to give were expected to be collected within 12 months.

LIFEWORKS SERVICES, INC.
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NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2020	2019
Land	\$ 556,228	\$ 556,228
Building	2,803,340	2,803,340
Leasehold Improvements	1,369,034	1,369,034
Vehicles	1,237,582	1,292,307
Furniture and Equipment	3,966,702	3,817,189
Total	<u>9,932,886</u>	<u>9,838,098</u>
Less: Accumulated Depreciation	6,639,437	6,081,465
Property and Equipment, Net	<u>\$ 3,293,449</u>	<u>\$ 3,756,633</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 was entered into starting October 29, 2019 through October 29, 2020 and is limited to \$5,000,000 for the year. On May 22, 2020, the line of credit was extended to May 31, 2021. The credit line bears interest at a fluctuating rate determined by the financial institution and will bear an interest rate floor of 4.5% for the line of credit ended October 29, 2020 and 4.0% 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, 2020 and December 31, 2019.

NOTE 6 NOTES PAYABLE

Notes payable consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2019</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 1, 2021. Secured by a mortgage and security agreement.	<u>\$ 1,493,524</u>	<u>\$ 1,604,337</u>

Future maturities of notes payable are as follows:

<u>Year Ending December 31 2021</u>	<u>Amount</u>
January 1 - November 30	\$ 104,837
December 1	1,388,687
Total	<u>\$ 1,493,524</u>

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

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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>
2021	\$ 537,165
2022	359,506
2023	53,950
Total	<u>\$ 950,621</u>

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.

	<u>Year Ended December 31, 2020</u>			
	<u>Program Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Professional Fees	\$ -	\$ 60,679	\$ -	\$ 60,679
Program Supplies and Activities	13,632	-	-	13,632
Wireless Communications	-	64,621	-	64,621
Other	-	262,356	-	262,356
Total	<u>\$ 13,632</u>	<u>\$ 387,656</u>	<u>\$ -</u>	<u>\$ 401,288</u>

	<u>Year Ended December 31, 2019</u>			
	<u>Program Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
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	<u>\$ 2,896</u>	<u>\$ 134,195</u>	<u>\$ 36,721</u>	<u>\$ 173,812</u>

Twenty-six volunteers contributed approximately 1,811 hours of service to Lifeworks during 2020, and sixty volunteers contributed approximately 4,314 hours of service to Lifeworks during 2019.

LIFEWORKS SERVICES, INC.
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NOTE 9 DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets at December 31 consist of:

	<u>2020</u>	<u>2019</u>
2020 Annual Event	\$ -	\$ 97,500
2021 Annual Event	5,500	-
Total	<u>\$ 5,500</u>	<u>\$ 97,500</u>

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

	<u>2020</u>	<u>2019</u>
2019 Annual Event	\$ -	\$ 154,250
2020 Annual Event	169,500	-
Navigation	40,000	-
Total	<u>\$ 209,500</u>	<u>\$ 154,250</u>

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

A portion of Lifeworks' employees are covered by collective bargaining agreements. The agreement between SEIU Healthcare Minnesota and the state of Minnesota (the fiscal service union employees) was in effect from July 1, 2019 through June 30, 2021. As of December 31, 2020 and 2019, approximately 43% and 60% 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 is 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.

LIFEWORKS SERVICES, INC.
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NOTE 11 RETIREMENT BENEFITS (CONTINUED)

Employer contributions to the plans, for nonunion employees, were \$452,735 and \$340,763 for 2020 and 2019, respectively. Employer contributions to the retirement plan for union employees were \$-0- and \$136,684 for 2020 and 2019, respectively.

NOTE 12 DEFERRED COMPENSATION

The Organization has a deferred compensation agreement with select highly compensated employees which calls for the Organization to fund an IRC 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 IRC, is paid to fund annuity contracts. These 457(b) deferred compensation plans were fully funded as of December 31, 2020 and 2019. Deferred compensation payments and expense under the agreement were \$50,668 and \$46,808 for 2020 and 2019, respectively.

NOTE 13 CONCENTRATIONS

The Organization receives a substantial amount of its support and revenue from Medicaid which made up 93% and 96% of revenue in 2020 and 2019, respectively. 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 \$65,712,955 and \$60,433,784 for 2020 and 2019, respectively. Administrative fees were allocated to the program of \$3,022,307 and \$2,854,749 for 2020 and 2019, respectively.

LIFEWORKS SERVICES, INC.
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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, 2020 and 2019, Lifeworks paid \$37,536 and \$35,750 respectively to the Collaborative to assist in the implementation of the action plan defined within the MOA. During the years ended December 31, 2020 and 2019, Lifeworks received \$-0- and \$21,000, respectively, from the Collaborative in return for delivering on milestones as noted in the MOA.

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 \$19,880,259 and \$18,570,472 as of December 31, 2020 and 2019, 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).

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 7,502,131	\$ 5,342,325
Accounts Receivable, Net of Allowance	6,652,618	5,246,423
Promises to Give, Net of Allowance	4,583	69,500
Investments	3,091,374	3,064,515
Beneficial Interests in Assets Held by a Community Foundation	16,788,885	15,505,957
Total	<u>34,039,591</u>	<u>29,228,720</u>
Less: Restricted Net Assets Unavailable for General Expenditures	(5,500)	(97,500)
Less: Board-Designated Funds	<u>(19,880,259)</u>	<u>(18,570,472)</u>
Financial Assets Available Within One Year for General Expenditures	<u>\$ 14,153,832</u>	<u>\$ 10,560,748</u>

