

LIFEWORKS SERVICES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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LIFEWORKS SERVICES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifeworks Services, Inc.
Richfield, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lifeworks Services, Inc. (Lifeworks) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lifeworks as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lifeworks' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifeworks' ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 5, 2024

LIFEWORKS SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 4,741,803	\$ 4,682,717
Accounts Receivable, Net	9,047,078	6,816,821
Prepaid Expenses	518,775	430,134
Investments	3,168,145	3,037,618
Beneficial Interests in Assets Held by a Foundation	22,942,379	21,262,140
Promises to Give, Net	70,048	140,089
Deferred Compensation	313,458	299,752
Operating Right-of-Use Asset, Net	326,119	362,313
Property and Equipment, Net	4,339,371	4,319,405
Total Assets	\$ 45,467,176	\$ 41,350,989
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 184,365	\$ 257,426
Accrued Salaries and Related Expenses	5,236,009	3,491,248
Accrued Vacation and Sick Pay	2,665,459	2,543,863
Other Accrued Expenses	178,223	209,092
Deferred Revenue	35,737	44,458
Deferred Leases	-	5,864
Deferred Compensation	313,458	299,752
Lease Liability - Operating	620,872	673,910
Notes Payable	977,020	1,168,186
Total Liabilities	10,211,143	8,693,799
NET ASSETS		
Without Donor Restrictions:		
Designated for Property and Equipment	3,362,351	3,151,219
Board-Designated Operating Reserve	26,110,524	24,299,758
Undesignated	5,783,158	5,166,213
Total Without Donor Restrictions	35,256,033	32,617,190
With Donor Restrictions	-	40,000
Total Net Assets	35,256,033	32,657,190
Total Liabilities and Net Assets	\$ 45,467,176	\$ 41,350,989

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	2023 With Donor Restrictions	Total
SUPPORT AND REVENUE			
Service Contracts	\$ 92,406,400	\$ -	\$ 92,406,400
Vocational Contracts	1,570,501	-	1,570,501
Contributions and Grants	1,034,358	-	1,034,358
Donated Nonfinancial Assets	273,011	-	273,011
Private Pay	880	-	880
Interest Income	156,468	-	156,468
Investment Income (Loss)	130,527	-	130,527
Change in Value of Beneficial Interest in Assets Held by a Foundation	1,680,239	-	1,680,239
Other	107,778	-	107,778
Net Assets Released from Restrictions	40,000	(40,000)	-
Total Support and Revenue	97,400,162	(40,000)	97,360,162
EXPENSES			
Program Services	87,358,482	-	87,358,482
Supporting Services:			
Administration	6,841,752	-	6,841,752
Development	561,085	-	561,085
Total Supporting Services	7,402,837	-	7,402,837
Total Expenses	94,761,319	-	94,761,319
CHANGE IN NET ASSETS	2,638,843	(40,000)	2,598,843
Net Assets - Beginning of Year	32,617,190	40,000	32,657,190
NET ASSETS - END OF YEAR	\$ 35,256,033	\$ -	\$ 35,256,033

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	2022 With Donor Restrictions	Total
SUPPORT AND REVENUE			
Service Contracts	\$ 86,663,684	\$ -	\$ 86,663,684
Vocational Contracts	1,598,932	-	1,598,932
Contributions and Grants	816,494	40,000	856,494
Donated Nonfinancial Assets	822,743	-	822,743
Private Pay	1,572	-	1,572
Interest Income	30,280	-	30,280
Investment Income (Loss)	(32,832)	-	(32,832)
Change in Value of Beneficial Interest in Assets Held by a Foundation	(2,259,914)	-	(2,259,914)
Other	118,268	-	118,268
Net Assets Released from Restrictions	27,300	(27,300)	-
Total Support and Revenue	<u>87,786,527</u>	<u>12,700</u>	<u>87,799,227</u>
EXPENSES			
Program Services	81,813,653	-	81,813,653
Supporting Services:			
Administration	7,468,204	-	7,468,204
Development	499,076	-	499,076
Total Supporting Services	<u>7,967,280</u>	<u>-</u>	<u>7,967,280</u>
Total Expenses	<u>89,780,933</u>	<u>-</u>	<u>89,780,933</u>
CHANGE IN NET ASSETS	(1,994,406)	12,700	(1,981,706)
Net Assets - Beginning of Year	<u>34,611,596</u>	<u>27,300</u>	<u>34,638,896</u>
NET ASSETS - END OF YEAR	<u>\$ 32,617,190</u>	<u>\$ 40,000</u>	<u>\$ 32,657,190</u>

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services					Total Program Services
	Day Support Services	Employment Services	Transportation	Self-Directed Services	Resource Navigation	
EXPENSES						
Salaries	\$ 1,783,284	\$ 4,138,842	\$ 170,650	\$ 66,466,861	\$ 187,724	\$ 72,747,361
Payroll Taxes and Benefits	612,339	1,161,659	63,462	4,087,313	45,334	5,970,107
Total Salaries and Related Benefits	2,395,623	5,300,501	234,112	70,554,174	233,058	78,717,468
Fiscal Intermediary Purchases	-	-	-	6,745,056	-	6,745,056
Professional Services	10,798	5,442	-	5,475	435	22,150
Travel	8,448	231,940	347,004	124,754	7,888	720,034
Advertisement	-	-	-	-	-	-
Insurance	24,021	11,043	31,599	29,811	667	97,141
Occupancy Costs	415,757	25,753	-	8,458	-	449,968
Telecommunication/Hosting Services	64,565	67,947	2,340	146,174	2,159	283,185
Equipment Expenses	53,953	23,524	1,260	25,004	1,400	105,141
Other Supplies	25,153	4,385	64	10,456	-	40,058
Printing	129	1,621	-	887	207	2,844
Postage	246	1,033	-	3,540	22	4,841
Recruitment, Training, and Meetings	2,933	4,080	299	62,686	126	70,124
Memberships and Subscriptions	1,052	1,021	-	15,034	23	17,130
Events	-	-	-	-	-	-
Recognition	2,694	4,120	234	4,107	344	11,499
Interest	32,878	-	-	-	-	32,878
Miscellaneous	2,991	13,887	447	21,239	401	38,965
Total Functional Expenses	\$ 3,041,241	\$ 5,696,297	\$ 617,359	\$ 77,756,855	\$ 246,730	\$ 87,358,482

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

EXPENSES	Supporting Services		
	Administration	Development	Total
Salaries	\$ 3,495,572	\$ 235,971	\$ 76,478,904
Payroll Taxes and Benefits	928,649	59,220	6,957,976
Total Salaries and Related Benefits	4,424,221	295,191	83,436,880
Fiscal Intermediary Purchases	-	-	6,745,056
Professional Services	488,884	23,178	534,212
Travel	4,947	114	725,095
Advertisement	173,289	-	173,289
Insurance	94,139	440	191,720
Occupancy Costs	257,809	-	707,777
Telecommunication/Hosting Services	515,312	4,818	803,315
Equipment Expenses	572,770	1,015	678,926
Other Supplies	19,844	34	59,936
Printing	30,151	2,124	35,119
Postage	27,348	4,259	36,448
Recruitment, Training, and Meetings	151,502	23,783	245,409
Memberships and Subscriptions	4,859	2,074	24,063
Events	9,795	193,912	203,707
Recognition	14,851	417	26,767
Interest	-	-	32,878
Miscellaneous	52,031	9,726	100,722
Total Functional Expenses	\$ 6,841,752	\$ 561,085	\$ 94,761,319

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

EXPENSES	Program Services				Total Program Services
	Day Support Services	Employment Services	Transportation	Self-Directed Services	
Salaries	\$ 1,570,974	\$ 4,535,417	\$ 178,611	\$ 61,337,176	\$ 67,622,178
Payroll Taxes and Benefits	542,975	1,316,691	56,210	3,778,631	5,694,507
Total Salaries and Related Benefits	2,113,949	5,852,108	234,821	65,115,807	73,316,685
Fiscal Intermediary Purchases	-	-	-	5,760,484	5,760,484
Professional Services	3,183	12,663	-	20,465	36,311
Travel	65,583	231,036	297,116	117,334	711,069
Advertisement	5	13	-	-	18
Insurance	20,424	14,210	35,431	26,300	96,365
Occupancy Costs	735,247	21,199	181	63,971	820,598
Telecommunication/Hosting Services	58,114	56,710	6,829	102,326	223,979
Equipment Expenses	53,074	17,253	1,229	26,983	98,539
Other Supplies	16,173	9,165	27	2,608	27,973
Printing	103	900	-	-	1,003
Postage	307	735	-	10,735	11,777
Recruitment, Training, and Meetings	5,203	12,782	-	56,669	74,654
Memberships and Subscriptions	7,530	21,768	-	9,897	39,195
Events	-	-	-	-	-
Recognition	6,447	11,221	137	4,764	22,569
Interest	38,598	-	-	-	38,598
Miscellaneous	4,032	12,785	1,007	516,012	533,836
Total Functional Expenses	\$ 3,127,972	\$ 6,274,548	\$ 576,778	\$ 71,834,355	\$ 81,813,653

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

EXPENSES	Supporting Services		
	Administration	Development	Total
Salaries	\$ 3,238,131	\$ 243,201	\$ 71,103,510
Payroll Taxes and Benefits	843,051	51,123	6,588,681
Total Salaries and Related Benefits	4,081,182	294,324	77,692,191
Fiscal Intermediary Purchases	-	-	5,760,484
Professional Services	612,686	42,092	691,089
Travel	6,770	1,035	718,874
Advertisement	773,688	-	773,706
Insurance	138,098	-	234,463
Occupancy Costs	224,388	-	1,044,986
Telecommunication/Hosting Services	483,585	1,493	709,057
Equipment Expenses	600,668	745	699,952
Other Supplies	14,014	166	42,153
Printing	45,693	7,352	54,048
Postage	38,458	6,164	56,399
Recruitment, Training, and Meetings	282,915	2,593	360,162
Memberships and Subscriptions	54,002	3,630	96,827
Events	200	131,974	132,174
Recognition	21,333	247	44,149
Interest	-	-	38,598
Miscellaneous	90,524	7,261	631,621
Total Functional Expenses	\$ 7,468,204	\$ 499,076	\$ 89,780,933

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,598,843	\$ (1,981,706)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Lease Expense	79,216	-
Noncash Fixed Asset Addition	(8,300)	-
Depreciation	560,701	389,819
Lease Transition Adjustment	-	311,597
Uncompensated Care	25,278	301,427
Gain on Disposal of Property and Equipment	-	(73,833)
Realized and Unrealized (Gain) Loss on Investments	(130,527)	32,832
Change in Beneficial Interests in Assets		
Held by a Foundation	(1,680,239)	2,259,914
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(2,255,535)	(807,077)
Promises to Give	70,041	(50,289)
Prepaid Expenses	(88,641)	113,896
Increase (Decrease) in Operating Liabilities:		
Lease Liability	(87,760)	-
Accounts Payable	(73,061)	(12,099)
Accrued Salaries and Related Expenses	1,744,761	458,822
Accrued Vacation and Sick Pay	121,596	209,535
Other Accrued Expenses	(30,869)	47,813
Deferred Revenue	(8,721)	15,639
Deferred Leases	(5,864)	(22,398)
Net Cash Provided by Operating Activities	830,919	1,193,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	(104)
Purchases of Property and Equipment	(580,667)	(1,421,832)
Proceeds from Sale of Property and Equipment	-	73,833
Net Cash Used by Investing Activities	(580,667)	(1,348,103)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	(191,166)	(185,446)
CHANGE IN CASH AND CASH EQUIVALENTS	59,086	(339,657)
Cash and Cash Equivalents - Beginning of Year	4,682,717	5,022,374
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,741,803	\$ 4,682,717
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payment for Interest	\$ 32,878	\$ 38,598

See accompanying Notes to Financial Statements.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

For 58 years, Lifeworks Services, Inc. (Lifeworks or the Organization) has partnered with people with disabilities to create innovative and person-centered centered solutions for careers, daily activities, community engagement, and self-directed services. Today, we support over 3,000 people with disabilities and their families throughout Minnesota.

We continue to evolve alongside our community by listening to those with lived experience, co-creating innovative services, advocating for equitable workplaces, and expanding options that honor self-determination. We are guided by our shared vision to create truly inclusive, accessible, and equitable communities.

Lifeworks' mission is to partner with people with disabilities to drive change by increasing opportunity and access in the community.

Lifeworks Self-Directed Services

Through a personalized experience, Lifeworks partners with individuals and families as they direct their own home care and support. This includes Minnesota programs: Consumer Directed Community Supports (CDCS), Consumer Support Grant (CSG), PCA Choice, Individualized Home Supports (IHS), Respite, Night Supervision, and Homemaker Services.

In 2023, 2,192 individuals and families accessed self-directed services through Lifeworks.

Lifeworks Employment Services

Lifeworks breaks down barriers and increases access to opportunities, leading to a more diverse and inclusive workforce in Minnesota. We connect people to experiences that explore their interests, develop skills, and start or advance their careers.

In 2023, Lifeworks partnered with 838 people through our employment services. Individuals joining the workforce or starting new jobs earned an average wage of \$13.76 per hour with wages as high as \$24 per hour.

Lifeworks Day Support Services

Personalized support and community engagement are cornerstones of Lifeworks service delivery – and with the individual leading the way, we provide opportunities to explore each person's interests, develop skills, and build community connections.

187 individuals participated in activities in their communities including volunteer opportunities, tours of area businesses, and recreational outings in 2023.

**LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Lifeworks Resource Navigation

Developed for individuals facing a crossroads – whether that be transitioning from school to adulthood or approaching a new phase in life – 50 people with disabilities partnered with Lifeworks Resource Navigation in 2023. Participants explored available options and connected with resources that helped them take the next step toward achieving their goals.

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.

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.

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 Organization uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets.

Because 96% of all Lifeworks funding comes from authorized Medicaid service agreements, the Organization uses the historical loss trend information as a percent of annual revenue for services provided over authorized amounts. Lifeworks applies historical average to forward-looking information to estimate credit losses. The Organization considers various risk factors such as denied or unauthorized services, inability to pay deductibles, Medicaid program takebacks due to noncompliance of program service rules or fraudulent activity and any predicted changes in funding sources.

Accounts receivable for the years ended December 31 consists of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts Receivable	\$ 9,367,078	\$ 7,236,821	\$ 6,631,171
Allowance	(320,000)	(420,000)	(320,000)
Accounts Receivable, Net	<u>\$ 9,047,078</u>	<u>\$ 6,816,821</u>	<u>\$ 6,311,171</u>

**LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Receivables and Credit Policies (Continued)

Changes in the allowance for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Balance, Beginning of Year	\$ 420,000	\$ 320,000
Provisions	25,278	292,722
Write-Offs, Net of Recoveries	(125,278)	(192,722)
Balance, End of Year	<u>\$ 320,000</u>	<u>\$ 420,000</u>

Beneficial Interest in Assets Held by a Foundation

The Organization has an investment fund account held by the St. Paul and Minnesota 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, 2023 and 2022, the allowance was \$-0-.

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

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

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
Vehicles	5 Years
Furniture, Equipment and Systems	3 to 7 Years

Leasehold Improvements are recorded at the shorter of the lease term or the remaining useful life of the improvement.

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, 2023 and 2022.

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, 2023 and 2022.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Net Assets (Continued)

The board has designated \$26,110,524 and \$24,299,758 as of December 31, 2023 and 2022, respectively. The board has set aside these funds to be used as reserves 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.

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 (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. Contributed professional services are recognized if the skills received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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.

LIFEWORCS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Leases

Lifeworks leases office space and equipment. Lifeworks determines if an arrangement is a lease at inception. Operating leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent Lifeworks' right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, Lifeworks uses a risk-free rate based on the information available at the lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Lifeworks will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Lifeworks has elected to recognize payments for short-term leases with a lease term of 12 months or less, or with an aggregate lease amount of less than \$5,000 as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$173,289 and \$773,706 during the years ended December 31, 2023 and 2022, respectively.

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 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.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

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 New Accounting Standards

At the beginning of 2023, Lifeworks adopted FASB ASU 2013-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* (CECL), as amended, which modified the measurement of expected credit losses. The option of this Standard did not have a material impact on the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events through April 5, 2024, 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.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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

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:

	Fair Value Measurement at Report Date Using			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, 2023</u>				
Fixed Income	\$ 3,131,494	\$ -	\$ -	\$ 3,131,494
Beneficial Interest in Multi-Assets				
Endowment Portfolio Assets				
Held at the St. Paul and Minnesota				
Foundation	-	-	22,942,379	22,942,379
Total	3,131,494	-	22,942,379	26,073,873
Cash and Cash Equivalents	-	-	-	36,651
Total	<u>\$ 3,131,494</u>	<u>\$ -</u>	<u>\$ 22,942,379</u>	<u>\$ 26,110,524</u>
<u>December 31, 2022</u>				
Fixed Income	\$ 2,992,650	\$ -	\$ -	\$ 2,992,650
Beneficial Interest in Multi-Assets				
Endowment Portfolio Assets				
Held at the St. Paul and Minnesota				
Foundation	-	-	21,262,140	21,262,140
Total	2,992,650	-	21,262,140	24,254,790
Cash and Cash Equivalents	-	-	-	44,968
Total	<u>\$ 2,992,650</u>	<u>\$ -</u>	<u>\$ 21,262,140</u>	<u>\$ 24,299,758</u>

For the valuation of the beneficial interest in assets held by a community foundation at December 31, 2023 and 2022, the Organization used significant unobservable inputs (Level 3). The Organization had \$-0- of purchases into Level 3 investments and no sales for the years ended December 31, 2023 and 2022, respectively.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table describes the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year.

Quantitative Information About Level 3 Fair Value Measurements			
Types of Assets	Fair Value at December 31, 2023	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Foundation	\$ 22,942,379	Fair Value of Assets	Value of Underlying Assets
Total	\$ 22,942,379		
Types of Assets	Fair Value at December 31, 2022	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Foundation	\$ 21,262,140	Fair Value of Assets	Value of Underlying Assets
Total	\$ 21,262,140		

NOTE 3 PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	2023	2022
Operating Support	\$ 70,048	\$ 140,089
Less: Allowance for Uncollectible Promises Receivable	-	-
Promises to Give, Net	\$ 70,048	\$ 140,089

At December 31, 2023 and 2022, promises to give were expected to be collected within 12 months.

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2023	2022
Land	\$ 584,955	\$ 584,955
Building	2,812,260	2,812,260
Leasehold Improvements	789,738	1,533,660
Vehicles	794,925	794,925
Furniture, Equipment and Systems	3,579,283	3,456,460
Total	8,561,161	9,182,260
Less: Accumulated Depreciation	4,221,790	4,862,855
Property and Equipment, Net	\$ 4,339,371	\$ 4,319,405

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LINE OF CREDIT

The Organization has a revolving line of credit available from a financial institution. The line of credit was entered into starting October 29, 2019 and was extended to May 31, 2025 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%, with a current interest rate of 7.8%. The line is secured by general business assets, accounts receivable, and equipment. There was no outstanding balance as of December 31, 2023 and December 31, 2022. The line of credit requires compliance with certain financial and nonfinancial covenants.

NOTE 6 NOTES PAYABLE

Notes payable consisted of the following:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Refinanced note payable with the Minnesota Bank & Trust with payments due in monthly installments of \$18,671, including interest at 3.0% beginning August 15, 2021; maturing August 15, 2028. Secured by a mortgage and security agreement.	<u>\$ 977,020</u>	<u>\$ 1,168,186</u>

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 196,982
2025	203,138
2026	209,404
2027	215,863
2028	151,633
Total	<u>\$ 977,020</u>

NOTE 7 LEASES

The Organization leases space and some equipment for its operations under long-term, noncancelable lease agreements with payments ranging from \$1,500 to \$17,983 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 through February 28, 2030.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 LEASES (CONTINUED)

The following table provides quantitative information regarding the Organization's leases for the year's ended December 31:

	<u>2023</u>	<u>2022</u>
Operating Lease Cost	\$ 70,903	\$ 22,339
Operating Cash Flows from Operating Expenses	87,760	6,316
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	8,300	377,727
Weighted-Average Remaining Lease Term - Operating	6.0 Years	7.0 Years
Weighted-Average Discount Rate - Operating	4.10%	4.07%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 109,617
2025	108,243
2026	111,916
2027	113,605
2028	117,774
Thereafter	142,788
(Less) Imputed Interest	(83,071)
Total Present Value	<u>\$ 620,872</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. There were no donor restrictions on any of the donated goods and services during the years ended December 31.

	<u>Year Ended December 31, 2023</u>			
	<u>Program Services</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Professional Fees	-	\$ 52,043	\$ -	\$ 52,043
Program Supplies and Activities	6,613	-	-	6,613
Wireless Communications	-	62,400	-	62,400
Advertisement	-	101,254	-	101,254
Other	-	4,880	45,821	50,701
Total	<u>\$ 6,613</u>	<u>\$ 220,577</u>	<u>\$ 45,821</u>	<u>\$ 273,011</u>

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 DONATED GOODS AND SERVICES (CONTINUED)

	Year Ended December 31, 2022			
	Program Services	Administration	Development	Total
Professional Fees	\$ -	\$ 68,145	\$ -	\$ 68,145
Program Supplies and Activities	601	-	-	601
Wireless Communications	-	62,400	-	62,400
Advertisement	-	651,633	-	651,633
Other	-	3,120	36,844	39,964
Total	\$ 601	\$ 785,298	\$ 36,844	\$ 822,743

Twenty-two volunteers contributed approximately 1,524 hours of service to Lifeworks during 2023, and 16 volunteers contributed approximately 2,737 hours of service to Lifeworks during 2022.

NOTE 9 DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets at December 31 consist of:

	2023	2022
Employment	\$ -	\$ 10,000
Co-Creating Disability Access	-	30,000
Total	\$ -	\$ 40,000

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

	2023	2022
2023 Annual Event	\$ -	\$ 27,300
Employment	10,000	-
Co-Creating Disability Access	30,000	-
Total	\$ 40,000	\$ 27,300

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

A portion of Lifeworks' employees are covered by collective bargaining agreements. The most recent agreement between SEIU Healthcare Minnesota and the state of Minnesota (the fiscal service union employees) was in effect from July 1, 2023 through June 30, 2025. As of December 31, 2023 and 2022, approximately 49% and 46% of the Organization's employees were represented by this collective bargaining agreement, respectively.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 on the first day of the payroll period following the date the employee satisfies eligibility requirements.

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

Employer contributions to the plans, for employees, were \$586,485 and \$560,639 for 2023 and 2022, 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, 2023 and 2022. Deferred compensation payments and expense under the agreement were \$66,350 and \$42,926 for 2023 and 2022, respectively.

NOTE 13 CONCENTRATIONS

The Organization receives a substantial amount of its support and revenue from Medicaid which made up 96% of revenue (excluding investment income) in 2023 and 2022. 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 Self-Directed 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 \$84,814,859 and \$79,078,304 for 2023 and 2022, respectively. Administrative fees were allocated to the program of \$4,478,716 and \$4,509,481 for 2023 and 2022, respectively.

LIFEWORKS SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 15 RELATED PARTY TRANSACTION

During the year ended December 31, 2021, Lifeworks entered into a Membership Agreement with Altair ACO, a Minnesota nonprofit corporation. Altair ACO had been operating under the name Altair as an unincorporated association pursuant to the terms of a Memorandum of Understanding most recently dated January 1, 2020. Lifeworks entered into the Membership Agreement with other nonprofit organizations to improve quality and effectiveness of services provided to people with disabilities in Minnesota and pursue initiatives to create the best integrated models of care.

Under the membership agreement, Lifeworks appoints its chief executive officer to represent Lifeworks as a board member of the Altair ACO. This member has voting rights. This agreement terminated during 2022. During the years ended December 31, 2023 and 2022, Lifeworks paid dues of \$-0- and \$40,000, respectively.

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 \$26,110,524 and \$24,299,758 as of December 31, 2023 and 2022, 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 statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 4,741,803	\$ 4,682,717
Accounts Receivable, Net of Allowance	9,047,078	6,816,821
Promises to Give, Net of Allowance	70,048	140,089
Investments	3,168,145	3,037,618
Beneficial Interests in Assets Held by a Community Foundation	<u>22,942,379</u>	<u>21,262,140</u>
Total	39,969,453	35,939,385
Less: Restricted Net Assets Unavailable for General Expenditures	-	(40,000)
Less: Board-Designated Funds	<u>(26,110,524)</u>	<u>(24,299,758)</u>
Financial Assets Available Within One Year for General Expenditures	<u>\$ 13,858,929</u>	<u>\$ 11,599,627</u>



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