

**Northeast Contemporary
Services, Inc.**

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2020**

Northeast Contemporary Services, Inc.

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Boeckermann Grafstrom Mayer

Independent Auditors' Report

To the Board of Directors
Northeast Contemporary Services, Inc.
Roseville, Minnesota

Report on the Financial Statements

We have audited the accompanying statement of financial position of Northeast Contemporary Services, Inc. (a nonprofit corporation) as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 of 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Contemporary Services, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Northeast Contemporary Services, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2020.

As discussed in Note 15, the Organization has restated its 2019 financial statements during the current year to properly record accounts receivable, in accordance with accounting principles general accepted in the United States of America. The summarized comparative information presented has been updated to reflect this restatement.

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boeckermann Grafstrom + Mayer, LLC

BOECKERMANN GRAFSTROM & MAYER, LLC
Certified Public Accountants

Minneapolis, Minnesota
November 2, 2021

Northeast Contemporary Services, Inc.
Statement of Financial Position
December 31, 2020 (With Comparative Totals for 2019)

<u>ASSETS</u>	<u>2020</u>	<u>2019</u> (As Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 364,534	\$ 90,999
Accounts Receivable, Net of Allowance	27,460	74,967
Marketable Securities	3,120	3,406
Prepaid Expenses	<u>10,481</u>	<u>19,891</u>
Total Current Assets	<u>\$ 405,595</u>	<u>\$ 189,263</u>
PROPERTY AND EQUIPMENT		
Equipment	\$ 624,335	\$ 552,856
Accumulated Depreciation	<u>(311,965)</u>	<u>(301,154)</u>
Total Property and Equipment	<u>\$ 312,370</u>	<u>\$ 251,702</u>
OTHER ASSETS		
Deposits	<u>\$ 11,545</u>	<u>\$ 11,545</u>
TOTAL ASSETS	<u><u>\$ 729,510</u></u>	<u><u>\$ 452,510</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Line of Credit	\$ 15,000	\$ 25,000
Accounts Payable	40,278	21,203
Accrued Expenses	73,033	76,700
Current Portion of Long Term Debt	<u>73,908</u>	<u>8,566</u>
Total Current Liabilities	<u>\$ 202,219</u>	<u>\$ 131,469</u>
LONG-TERM LIABILITIES		
Loans Payable	<u>\$ 174,792</u>	<u>\$ -</u>
NET ASSETS		
Without Donor Restrictions	\$ 317,799	\$ 321,041
With Donor Restrictions	<u>34,700</u>	<u>-</u>
Total Net Assets	<u>\$ 352,499</u>	<u>\$ 321,041</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 729,510</u></u>	<u><u>\$ 452,510</u></u>

See Independent Auditors' Report and Notes to the Financial Statements

Northeast Contemporary Services, Inc.
Statement of Activities

For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020			2019 (As Restated)
	With Donor Restrictions	Without Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Medical Assistance Fees	\$ 439,816	\$ -	\$ 439,816	\$ 885,871
Service Fees	60,020	-	60,020	147,886
Transportation Income	93,557	-	93,557	191,426
Contract Income	40	-	40	(251)
Grant Income	48,781	321,340	370,121	188,939
Contributions	4,580	-	4,580	3,733
Interest	10	-	10	11
Dividends	135	-	135	579
Other Income	49,187	-	49,187	10,076
Unrealized Gain (Loss) on Marketable Securities	(422)	-	(422)	(15,360)
Realized Gain (Loss) on Marketable Securities	-	-	-	25,542
Gain/Loss on Sale of Assets	1,550	-	1,550	4,195
Total Support and Revenue	\$ 697,254	\$ 321,340	\$ 1,018,594	\$ 1,442,647
EXPENSES				
Program Services	\$ 754,128	\$ -	\$ 754,128	\$ 1,057,233
Management and General	233,008	-	233,008	235,366
Total Expenses	\$ 987,136	\$ -	\$ 987,136	\$ 1,292,599
INCREASE (DECREASE) IN NET ASSETS	\$ (289,882)	\$ 321,340	\$ 31,458	\$ 150,048
NET ASSETS - Beginning of Year	321,041	-	321,041	170,993
Net Assets Released from Restrictions	286,640	(286,640)	-	-
NET ASSETS - End of Year	\$ 317,799	\$ 34,700	\$ 352,499	\$ 321,041

See Independent Auditors' Report and Notes to the Financial Statements

Northeast Contemporary Services, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020						2019
	Program Services						(As Restated)
	Adult Service	Senior Service	Transportation	Total	Management and General	Totals	Totals
Salaries and Wages	\$ 135,599	\$ 61,707	\$ 20,248	\$ 217,554	\$ 108,693	\$ 326,247	\$ 415,886
Payroll Taxes	11,741	6,151	4,351	22,243	8,801	31,044	45,849
Health Insurance	12,573	9,368	5,983	27,924	8,658	36,582	50,483
Employee Benefits	1,842	1,110	597	3,549	1,408	4,957	5,314
Retirement Plan	1,313	1,729	-	3,042	-	3,042	2,319
Rent	92,616	6,297	5,331	104,244	12,658	116,902	136,866
Utilities and Cleaning	27,529	493	2,325	30,347	3,092	33,439	37,799
Repairs and Maintenance	48,370	3,051	2,970	54,391	10,255	64,646	71,460
Transportation Costs	587	57	98,440	99,084	33	99,117	113,159
Depreciation	-	-	82,865	82,865	1,723	84,588	49,502
Professional Fees	23,368	10,392	31,204	64,964	62,981	127,945	239,741
Program Supplies	1,069	725	-	1,794	-	1,794	3,936
Insurance	507	333	1,813	2,653	3,724	6,377	13,331
Telecommunication	1,133	1,133	454	2,720	1,791	4,511	6,509
Consumer Payments	(50)	-	-	(50)	-	(50)	(469)
Employee Training	1,901	1,546	834	4,281	447	4,728	10,247
Office Supplies	2,868	691	34	3,593	2,732	6,325	2,818
Subscriptions and Fees	2,197	2,503	-	4,700	2,387	7,087	12,509
Interest Expense	-	-	254	254	3,295	3,549	2,333
Grant Expense	2,500	-	-	2,500	-	2,500	14,000
Bad Debt Expense	18,987	2,250	-	21,237	-	21,237	58,212
Miscellaneous	160	43	36	239	330	569	795
TOTAL EXPENSES	\$ 386,810	\$ 109,579	\$ 257,739	\$ 754,128	\$ 233,008	\$ 987,136	\$ 1,292,599

See Independent Auditors' Report and Notes to the Financial Statements

Northeast Contemporary Services, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u> (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 31,458	\$ 150,048
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	84,588	49,502
Gain on Sale of Property and Equipment	(1,550)	(4,195)
Realized and Unrealized (Gains) Losses on Marketable Securities	422	(10,182)
(Increase) Decrease in Operating Assets		
Accounts Receivable	47,507	(7,050)
Prepaid Expenses	9,410	(6,459)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	19,075	(2,435)
Accrued Wages and Vacation	(3,667)	3,261
	<u>187,243</u>	<u>172,490</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 187,243	\$ 172,490
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$ (145,256)	\$ (208,971)
Purchase of Marketable Securities	(136)	(579)
Proceeds from Sale of Marketable Securities	-	46,817
Proceeds from Sale of Property and Equipment	1,550	4,195
	<u>(143,842)</u>	<u>(158,538)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (143,842)	\$ (158,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance on Line of Credit	\$ (10,000)	\$ -
Proceeds on Loans Payable	258,700	-
Payments on Loans Payable	(18,566)	(11,232)
	<u>230,134</u>	<u>(11,232)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$ 230,134	\$ (11,232)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 273,535	\$ 2,720
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>90,999</u>	<u>88,279</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 364,534</u></u>	<u><u>\$ 90,999</u></u>

See Independent Auditors' Report and Notes to the Financial Statements

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Northeast Contemporary Services, Inc. (the Organization) is a 501(c)(3) charitable organization headquartered in Roseville, Minnesota. The Organization provides day training and rehabilitation services to persons with developmental disabilities. In addition, employment and employment related services are available to persons 21 years of age or older (Adult Services) and post-retirement services are available to persons 50 years of age or older (Senior Services). Referrals for services are made via a county social worker.

The mission of the Organization is to provide and promote experiences for persons served. These experiences will reflect presence and participation in the community, the discovery and development of individual capabilities, and the opportunity to make choices and amplify independence.

Financial Statement Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under the provisions of these standards, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions
 - Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.
- Net Assets With Donor Restrictions
 - Resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. Net assets restricted to specific actions or the passage of time were \$34,700 at December 31, 2020. See Revenue Recognition below for further discussion.
 - Resources subject to donor-imposed restrictions that require the resources to be maintained permanently by the Organization. The donors of such resources permit the use of all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes. The Organization has no net assets required to be permanently maintained at December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fair Value Measurement

The estimated fair values of the Organization's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Revenue Recognition

As of January 1, 2019, the Organization adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*. The Organization recognizes revenue in accordance with ASC Topic 606, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Revenues from purchase of services contracts are based on service agreements from the County for each individual served and are recognized at a point in time when the services have been provided to individuals.

Contributions are recorded when received and recognized as support in the period received, in accordance with ASC 958-605, *Not-for-Profit Revenue Recognition - Contributions*. If donor-imposed restrictions accompany the contribution, the amount is recorded as donations with restrictions until the donor-imposed restrictions expire or are fulfilled, unless the restrictions expire or are fulfilled in the same calendar year the contribution is received, in which case the contribution is recorded as donations without restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled.

Contributed Services and Supplies

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria for FASB ASC 958, *Not-for-Profit Entities*, are not met.

There were no specialized services donated to the Organization for the year ended December 31, 2020.

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits.

Receivables

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful accounts. The Organization uses the allowance method to determine uncollectible contributions, grants, and accounts receivable. This method provides allowances for doubtful receivables equal to estimated losses that will be incurred in the collection of receivables. The Organization writes off uncollectible accounts after they have exhausted the collection process. The allowance for doubtful account was \$5,500 for the year ended December 31, 2020.

Property and Equipment

Purchases of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activity and net assets. Depreciation is provided over the estimated economic useful lives of each class of assets and is computed using the straight-line method. Total depreciation expense was \$84,588 for the year ended December 31, 2020.

Estimated economic useful lives of property and equipment range from three to ten years.

Marketable Securities

The Organization's marketable securities are all classified as available-for-sale securities and, as such, are recorded at their fair value at December 31, 2020. Unrealized gains and losses are reported as income in the accompanying statements of activities. The cost of marketable securities sold is based on specific identification.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and effort studies. The Organization does not consider any of its expenses to be fundraising in nature.

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the comparable section of the Minnesota Income Tax Statutes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions by donors are tax deductible. During the year ended December 31, 2020, the Organization had no unrelated business income.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2017. Interest and penalties are classified as expense as incurred.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated subsequent events through November 2, 2021, the date the financial statements were available to be issued. Except as noted in Note 16, there were no subsequent events.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 2: LIQUIDITY

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets available as of December 31, 2020:

Cash and Cash Equivalents	\$ 364,534
Investments	3,120
Accounts Receivable	<u>27,460</u>
Total Financial Assets	\$ 395,114
Total Upcoming Use of Funds	<u>187,219</u>
Financial Assets Available	\$ 207,895
Average Expenses per Month	<u>82,261</u>
Months of Assets on Hand	<u><u>2.53</u></u>

NOTE 3: MARKETABLE SECURITIES

Marketable securities are reported at aggregate fair value based on quoted market prices for those investments. The current year change in marketable securities is reported as unrealized gains and losses and included in the increase (decrease) in net assets on the statement of activities. The specific identification cost basis is used to determine realized gain or loss of securities.

Following is a summary of cost and fair value of available-for-sale marketable securities:

	<u>Cost</u>	<u>Net Unrealized Gains (Losses)</u>	<u>Market Value</u>
Common Stocks	<u>\$ 3,644</u>	<u>\$ (524)</u>	<u>\$ 3,120</u>

The Organization had \$0 in realized gains from the sale of marketable securities during the year ended December 31, 2020.

NOTE 4: FAIR VALUE OF FINANCIAL INVESTMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for the Organization's assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 4: FAIR VALUE OF FINANCIAL INVESTMENTS (Continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Common Stocks	\$ 3,120	\$ -	\$ -	\$ 3,120

NOTE 5: LINE OF CREDIT

The Organization has available a \$50,000 line of credit with a bank, collateralized by substantially all assets of the Organization. Interest is at 1.00% over the prime rate (prime rate was 3.25% at December 31, 2020), with a floor of 4.95%. In June 2021, the line of credit was extended to June 1, 2022. As of December 31, 2020, borrowings under the line of credit totaled \$15,000.

NOTE 6: NOTES PAYABLE

Notes payable at December 31, 2020 consisted of the following:

Promissory note agreement with Premier Bank issued under the terms of the Payment Protection Program (PPP) entered into on April 21, 2020. The total of the promissory note agreement is \$98,700 with an interest rate of 1.0%. Principal and interest is payable in monthly installments beginning November 21, 2020 until maturity. The maturity date is April 21, 2022.	\$ 98,700
Loan agreement with the Small Business Administration (SBA) for working capital to alleviate economic injury caused by the COVID-19 pandemic entered into on May 22, 2020. The total of the loan agreement was \$150,000. The loan agreement requires monthly payments of \$641 beginning May 22, 2022, with the remaining balance of principal and interest due May 22, 2050. The fixed interest rate is 2.75 percent.	<u>150,000</u>
Total Loans Payable	\$ 248,700
Less Current Portion	<u>73,908</u>
Long-Term Debt	<u>\$ 174,792</u>

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 6: NOTES PAYABLE (Continued)

Minimum principal payments for the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 73,908
2022	25,636
2023	3,512
2024	3,610
2025	3,711
Thereafter	<u>138,323</u>
Total	<u>\$ 248,700</u>

The PPP loan was forgiven in 2021 (see Note 16).

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Business Recycling	\$ 578
COVID-19 Related Public Health Measures	<u>34,122</u>
	<u>\$ 34,700</u>

Donor restrictions for business recycling originated in 2020 when a grantor gave funds to facilitate continued recycling efforts used by the Organization for recycling cardboard, paper, electronics, and other similar business recyclables.

Donor restrictions for COVID-19 related public health measures originated in 2020 when a grantor gave funds to reduce the risk of exposure to and transmission of COVID-19 to people with disabilities and staff who support them by maintaining or increasing access to individualized employment services and reducing the use of congregate and sheltered workshop service settings.

NOTE 8: GRANT INCOME

During 2020, the Organization received a grant to purchase two transportation vans totaling \$111,243.

Northeast Contemporary Services, Inc.
Notes to the Financial Statements
December 31, 2020

NOTE 8: GRANT INCOME (Continued)

During 2020, the Organization received COVID-19 pandemic income from grantors totaling \$292,945 to support the Organization in its mission to provide programs and services for individuals with disabilities.

NOTE 9: OPERATING LEASES

The Organization has entered into various operating leases for facilities and office equipment.

The Organization entered into a facility lease for office and program space that will expire on October 31, 2024. The Organization is responsible for operating expenses such as insurance, utilities and repairs and maintenance. The Organization is also responsible for their pro rata share of real estate taxes and common area expenses.

Additionally, the Organization leases office equipment under noncancelable operating leases that expire in April 2023.

Total rent and common area expenses charged to operations was \$179,777 for the year ended December 31, 2020.

The future minimum lease payments under all operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2021	\$ 111,571
2022	112,918
2023	113,679
2024	<u>96,029</u>
Total	<u>\$ 434,197</u>

The Organization has refundable deposits totaling \$11,545 in connection with these leases.

NOTE 10: DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization has established the Northeast Contemporary Services, Inc. Tax Deferred Annuity Plan (the Plan) effective July 1, 1991 under the provisions of Section 403(b) of the Internal Revenue Code. The Plan covers all employees who have completed one year of service, are at least 20 years of age, and work at least 1,000 hours per year. The Organization contributes one half of a participant's voluntary contributions up to 4% of the participant's compensation. Employer contributions were \$3,042 for the year ended December 31, 2020.

NOTE 11: SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Organization had interest payments of \$1,126 during the year ended December 31, 2020.

The Organization had no payments for income taxes during the year ended December 31, 2020.

NOTE 12: CONCENTRATIONS OF RISK

The Organization receives a substantial amount of its revenue, and has substantial accounts receivable, from purchase of services contracts with the State of Minnesota, Ramsey County and other counties. Any significant reduction in this level of funding, if this were to occur, would have a significant effect on the Organization's programs and activities.

The Organization had one customer whose revenues accounted for 43% of its total revenue during the year ended December 31, 2020. Two customers accounted for 77% of the Organization's accounts receivable at December 31, 2020.

NOTE 13: RELATED PARTY TRANSACTIONS

The Organization paid \$1,270 in fees for legal services that were provided by a member of the Board of Directors during the year ended December 31, 2020. The Organization owed related parties \$0 at December 31, 2020.

NOTE 14: CONTINGENCIES

In July 2020, Northeast Contemporary Services, Inc. was notified that a harassment lawsuit had been filed against the Organization by a former employee. The Organization is evaluating the claim and in the opinion of management, the case is without merit. No liability has been recorded by the Organization based on the uncertainty of the outcome. The lawsuit was settled in 2021 (See Note 16).

NOTE 15: PRIOR PERIOD ADJUSTMENTS

During 2020, it was determined that accounts receivable was overstated in error. A prior period adjustment was made to decrease accounts receivable and increase bad debt expense by \$38,212 for the year ended December 31, 2019. This adjustment resulted in a decrease in net assets without donor restrictions.

NOTE 16: SUBSEQUENT EVENTS

In January 2021, the lawsuit in Note 14 was settled out of court for \$20,000. This settlement was covered by insurance.

On March 16, 2021, the Organization's loan forgiveness application related to the PPP loan in the amount of \$98,700 was approved (see Note 6). Upon approval, the loan balance plus accrued interest was forgiven.

On March 26, 2021, the Organization received an additional Payroll Protection Plan (PPP) Loan totaling \$98,700. Interest on the PPP loan is 1.00%. The loan matures March 26, 2026. The loan has a forgiveness clause if used for qualified expenditures. Monthly payments of principal and interest are payable only in the event that loan forgiveness is not granted.