

**NORTHPOINT HEALTH &
WELLNESS CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

PREPARED BY

BWK ROGERS PC

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements	7-18



O. Barry Rogers, CPA
Wylie R. Klawitter, CPA

BWK Rogers PC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Minneapolis, Minnesota

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NorthPoint Health & Wellness Center, Inc.

We have audited the accompanying financial statements of NorthPoint Health & Wellness Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.

Auditor's 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 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 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 NorthPoint Health & Wellness Center, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the NorthPoint Health & Wellness Center, Inc.'s 2017 financial statements, and our report dated June 11, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Changes in Accounting Principle

As discussed in Note 14 to the financial statements, NorthPoint Health & Wellness Center, Inc. implemented the provisions of Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*.

A handwritten signature in black ink that reads "B. H. Rogers PC". The signature is written in a cursive, flowing style.

June 10, 2019

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,374,918	\$ 938,716
Investments	149,325	158,389
Accounts Receivable, net of allowance for doubtful accounts of \$19,994 and \$5,021 in 2018 and 2017, respectively	585,483	539,786
Grants Receivable	495,000	180,000
Prepaid Expenses	69,632	1,224
Inventory	<u>30,094</u>	<u>33,194</u>
Total Current Assets	2,704,452	1,851,309
Fixed Assets, net of accumulated depreciation of \$892,649 and \$860,925 in 2018 and 2017, respectively	<u>1,602,872</u>	<u>1,683,670</u>
Total Assets	<u><u>\$ 4,307,324</u></u>	<u><u>\$ 3,534,979</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 153,207	\$ 110,162
Accrued Expenses	124,515	104,008
Deferred Revenue	<u>27,484</u>	<u>63,303</u>
Total Current Liabilities	305,206	277,473
Security Deposits	<u>719</u>	<u>719</u>
Total Liabilities	305,925	278,192
Net Assets		
Without Donor Restrictions	3,144,391	2,906,887
With Donor Retrictions	<u>857,008</u>	<u>349,900</u>
Total Net Assets	<u>4,001,399</u>	<u>3,256,787</u>
Total Liabilities and Net Assets	<u><u>\$ 4,307,324</u></u>	<u><u>\$ 3,534,979</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

	2018			<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Support and Revenue				
Support				
Hennepin County	\$ 3,784,190	\$ -	\$ 3,784,190	\$ 3,462,508
Other Government Grants	1,277,171	-	1,277,171	510,195
Foundations & Corporations	382,662	855,000	1,237,662	1,024,660
United Way Donations	314,333	-	314,333	311,539
Individual Contributions	26,912	-	26,912	16,071
In-Kind Donations	889,143	-	889,143	842,473
Total Support	6,674,411	855,000	7,529,411	6,167,446
Revenue				
Chemical Dependency	264,482	-	264,482	299,343
Investment Income	(7,609)	-	(7,609)	12,051
Rents & Reimbursements	52,786	-	52,786	58,064
Program Service Fees	-	-	-	6,857
Other Revenue	1,221	-	1,221	178
Total Revenue	310,880	-	310,880	376,493
Net Assets Released from Restrictions	347,892	(347,892)	-	-
Total Support and Revenue	7,333,183	507,108	7,840,291	6,543,939
Expenses				
Program Services				
Family & Community Services	4,022,366	-	4,022,366	3,478,799
Community Outreach	1,964,466	-	1,964,466	1,787,737
Total Program Services	5,986,832	-	5,986,832	5,266,536
Supporting Activities				
Management & General	948,546	-	948,546	920,804
Fundraising	160,301	-	160,301	145,136
Total Supporting Activities	1,108,847	-	1,108,847	1,065,940
Total Expenses	7,095,679	-	7,095,679	6,332,476
Change in Net Assets	237,504	507,108	744,612	211,463
Net Assets, Beginning of Year	2,906,887	349,900	3,256,787	3,045,324
Net Assets, End of Year	\$ 3,144,391	\$ 857,008	\$ 4,001,399	\$ 3,256,787

The accompanying notes are an integral part of these financial statements.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

	Family & Community <u>Services</u>	Community <u>Outreach</u>	Total Program <u>Services</u>	Management & General	<u>Fundraising</u>	Total Supporting <u>Activities</u>	<u>2018</u>	<u>2017</u>
Salaries & Related Expenses	\$ 2,623,172	\$ 507,791	3,130,963	\$ 619,323	\$ 135,892	\$ 755,215	\$ 3,886,178	\$ 3,820,010
Professional Fees	-	-	-	33,997	-	33,997	33,997	27,457
Food Shelf	-	1,036,549	1,036,549	-	-	-	1,036,549	948,504
Contracted Services	463,486	151,555	615,041	60,606	10,035	70,641	685,682	485,583
Insurance	29,004	8,318	37,322	16,142	389	16,531	53,853	66,208
Occupancy	121,838	54,524	176,362	18,241	2,190	20,431	196,793	162,225
Telephone & Communications	10,381	3,937	14,318	5,064	471	5,535	19,853	19,059
Vehicle Expenses	17,299	14,164	31,463	5,131	210	5,341	36,804	37,903
Program Supplies & Client Support	585,054	105,978	691,032	69,048	4,374	73,422	764,454	399,043
Depreciation	38,987	35,693	74,680	8,616	1,188	9,804	84,484	89,424
Advertising	54,613	2,098	56,711	-	-	-	56,711	58,348
Other Operating Expenses	49,709	32,643	82,352	103,117	3,210	106,327	188,679	187,307
Community Involvement & Support	-	-	-	-	-	-	-	69
Employee Training	13,751	11,216	24,967	8,771	2,342	11,113	36,080	31,249
Bad Debt	14,973	-	14,973	-	-	-	14,973	-
Miscellaneous	99	-	99	490	-	490	589	87
Total Expenses	<u>\$ 4,022,366</u>	<u>\$ 1,964,466</u>	<u>\$ 5,986,832</u>	<u>\$ 948,546</u>	<u>\$ 160,301</u>	<u>\$1,108,847</u>	<u>\$ 7,095,679</u>	<u>\$ 6,332,476</u>

The accompanying notes are an integral part of these financial statements.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 744,612	\$ 211,463
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	84,484	89,424
Loss on Disposal	1,400	-
Bad Debt	14,973	-
Unrealized Loss (Gain) on Investments	15,354	(5,456)
Changes in Current Assets and Liabilities:		
(Increase) in Accounts Receivable	(60,670)	(212,707)
(Increase) Decrease in Grants Receivable	(315,000)	181,302
(Increase) Decrease in Prepaid Expenses	(68,408)	12,884
Decrease in Inventory	3,100	3,839
Increase in Accounts Payable	43,045	45,317
Increase (Decrease) in Accrued Expenses	20,507	(6,441)
(Decrease) in Deferred Revenue	<u>(35,819)</u>	<u>(40,834)</u>
Net Cash Provided by Operating Activities	447,578	278,791
Cash Flows from Investing Activities		
Purchase of Furniture and Equipment	(5,086)	-
Purchase of Investments	<u>(6,290)</u>	<u>(6,001)</u>
Net Cash (Used) by Investing Activities	<u>(11,376)</u>	<u>(6,001)</u>
Net Increase in Cash	436,202	272,790
Cash and Cash Equivalents, Beginning of Year	<u>938,716</u>	<u>665,926</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,374,918</u></u>	<u><u>\$ 938,716</u></u>

The accompanying notes are an integral part of these financial statements.

**NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

NorthPoint Health & Wellness Center, Inc. (NPI) (the Organization) was incorporated in 2003 with the establishment of a Community Board comprised of 51% consumers and other community stakeholders. The Board entered into a co-applicant agreement with Hennepin County to oversee the operations and health outcomes of the clinic, NorthPoint Health & Wellness Center. Subsequently, the board merged with Pilot City Neighborhood Services Center in July 2004, and the net assets and operations were transferred to the Community Board of Directors. NorthPoint Health & Wellness Center, Inc. is focused on communal wholeness, health and wellness, strengths, possibilities and hope for the North Minneapolis community. The Organization plans to accomplish this through an integrated health and human services model. The Community Board has the responsibility of providing leadership for strategic, operational and programmatic direction of both the clinic (Hennepin County) and human services (NPI). This unique partnership between Hennepin County and the Community Board allows for co-ownership of resources and assets within the community.

Description of Programs

Breathe Free North works to reduce the health disparities in communities of color through program development, policy and systems change, through community organizing, education, policy, and advocacy strategies. Focus: (a) reducing tobacco use among youth and priority populations, (b) advocate for policies that create access to healthy foods and physical activity and (c) other areas related to the social determinants of health. *Funding from Blue Cross Blue Shield and Clearway MN*

Orange Bike Neighborhood Program promotes biking as a joyful normal mode of transportation. The program aims to grow bike share programs by reaching out and transforming the bike culture in North Minneapolis. *Funding from Nice Ride and McKnight Foundation*

MNSure uses full time bilingual (Spanish, Hmong, Somali) Community Health Workers (CHWs)/Navigators along with a coordinator to provide culturally appropriate outreach, in-reach, education and insurance enrollment assistance. *Funding from State of Minnesota*

COACH in collaboration with the NorthPoint dental team, children age 0-5 and low-income pregnant women are encouraged to improve their oral health status through participation in health education, dental screening, and follow-up care if needed. The CHW partners with the dental hygienist as they attend community events together to provide information on oral/dental health and offer on-site screening as appropriate. *Funding from Delta Dental*

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Description of Programs (continued)

Gateway works with and across several programs to assist MFIP families that are involved in several systems that present multiple challenges to family stability and economic independence. The primary goals of this project are to maximize economic and family outcomes while leveraging organizational and community resources. *Funding from Hennepin County*

Co-Parent works with unmarried parents who are establishing paternity (legal fatherhood) or parenting time for their child. It provides Co-Parent educational classes, gives individual support for moms and dads, and provides a customized parenting plan created just for each family. Many of these services are provided through North Point Inc. *Funding from Hennepin County and potential funding from State of Minnesota*

On Point employs a Culturally Responsive Services model to assist MFIP participants, especially African American participants, toward a path of personal and professional growth. Following a holistic approach centered on individual development and well-being, On Point provides empowerment coaches and program services that are tailored to address the challenges and opportunities unique to each participant. *Funding from Hennepin County*

Renaissance Outpatient Chemical Dependency Treatment Program is a licensed outpatient chemical dependency treatment program that provides primary, relapse prevention and co-occurring disorders treatment services to meet the diverse needs of adults with substance use disorders. *Funding from Patient Revenues*

Department of Economic Development (DEED) Supportive Services program addresses the disparities faced by African-American families working to transition to livable wage employment by utilizing a strengths-asset model. *Funding from State of Minnesota*

Group Violence Intervention is designed to provide prevention and intervention services to individuals who are at risk of involvement with gun violence and have been identified as being affiliated with a group (to include gangs, cliques, robbery crews, etc.) Services provided include intensive, individualized case management with identified youth and their families. Services also include engagement in supplemental individual and group offerings, which is intended to reduce risk factors for involvement with violence while increasing protective factors. *Funding from the City of Minneapolis*

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Description of Programs (continued)

Health is Me supports our integrated intake area by providing referrals and health education during initial intake for Human Services. *Funding from the United Way*

LifeCourse, a late life supportive care approach for people living with serious illness, provides a trained health care professional to visit patients in their home every month. They provide assistance in connecting to needed resources and navigating the health care system to help individuals get valuable information and care. *Funding from Allina Health*

African American Workgroup on Child Protection is a grassroots coalition of organizations, advocates and community members focused on reducing the number of African American children and families involved in the child protection system in Hennepin County. *Funding from State of Minnesota*

NorthPoint Inc.'s largest contracts are with the clinic. Our Human Services contract supports our food shelf, community outreach, community health workers, African American Men Project and the Computer Lab. The Professional Services contract enables Inc. to recruit, hire, and retain position specific and culturally responsive staffing to work in the clinic.

Comparative Financial Information

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

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

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Net Assets (continued)

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debts based on its assessment of the current status of individual account balances that are still outstanding. The allowance for doubtful accounts represents management's best estimate of uncollectible accounts receivable.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and investments in debt and equity securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Inventory

Inventory consists of donated and purchased food and non-food items, including canned goods, frozen foods, and packaged items. Cost is determined by using an estimated value per pound of inventory on hand, which approximates market value.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fixed Assets

Furniture and equipment are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. Items that cost \$5,000 or greater are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and Equipment	3-5 years
Transportation Vehicles	5 years
Computers	3 years
Roof	7 years
Buildings	39 years

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Renewals and betterments that materially extend the life of an asset are capitalized.

Support & Revenue Recognition

Revenues and public support are reported as an increase in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as an increase or a decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted contributions, the restriction of which are met in the same year as the contributions is made, are reported as contributions without donor restrictions.

Use of Estimates

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

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Related Party

The Organization's CEO is also the CEO of NorthPoint Health and Wellness Center (the Clinic). The Clinic provides primarily community and medical services and is overseen by the Community Board of Directors. The Organization had receivables totaling \$22,141 and \$30,683 from the Clinic at December 31, 2018 and 2017, respectively.

Income Taxes

NorthPoint Health & Wellness Center, Inc. has been recognized by the Internal Revenue Services (IRS) as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is generally not subject to income taxes, except for taxes pertaining to unrelated business income. The Organization is exempt from state taxes under Minnesota Statute 290.05. Therefore, there is no provision for income taxes, and unrelated income subject to tax is considered to be insignificant.

Concentration of Credit Risk

The Organization maintains its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization held funds at a local bank in excess of FDIC insurance limits. The Organization has not incurred any losses in recent years.

Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services, Materials and Equipment

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. See Note 2. During 2018 and 2017, 589 and 620 volunteers donated approximately 14,282 and 10,159 hours to NorthPoint Health & Wellness Center, Inc. In addition, NPI sponsored 13 and 41 unpaid internships for approximately 589 and 4,197 hours during 2018 and 2017, respectively. The value of these donated services is not reflected in the financial statement since these services do not meet the criteria for recognition under GAAP.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred and totaled \$56,711 and \$58,348 during the years ended December 31, 2018 and 2017, respectively.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of restrictions. Amounts not available include net assets with donor restrictions of \$857,007 and \$349,900 at December 31, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$1,374,918	\$ 938,716
Investments	149,325	158,389
Contributions Receivable	<u>1,080,483</u>	<u>719,786</u>
Total Financial Assets	2,604,726	1,816,891
Net Assets With Donor Restrictions	<u>(857,007)</u>	<u>(349,900)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$1,747,719</u>	<u>\$1,466,991</u>

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In addition, the Organization has a line of credit at their disposal, see Note 6.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3. INVESTMENTS

Investment income consists of the following for the year ended December 31:

	<u>2018</u>	<u>2017</u>
Unrealized (Losses) Gains	\$(15,354)	\$5,456
Interest and Dividends	<u>7,745</u>	<u>6,595</u>
	<u>\$ (7,609)</u>	<u>\$12,051</u>

The Organization’s investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mutual Funds	<u>\$149,325</u>	<u>\$158,389</u>

NOTE 4. FAIR VALUE

NorthPoint Health & Wellness Center, Inc. adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (“ASC 820”). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in these three broad levels:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The Mutual Funds held by NorthPoint Health & Wellness Center, Inc. at December 31, 2018 and 2017 are Level 1 assets valued using a market approach. There were no changes in the valuations techniques during the current year.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5. FIXED ASSETS

Fixed assets consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 136,300	\$ 136,300
Building	2,221,948	2,221,948
Furniture & Fixtures	41,676	41,676
Vehicles	87,133	87,133
Computer & Related Equipment	<u>8,464</u>	<u>57,538</u>
Fixed Assets, Gross	2,495,521	2,544,595
Less: Accumulated Depreciation	<u>(892,649)</u>	<u>(860,925)</u>
Fixed Assets, Net	<u>\$1,602,872</u>	<u>\$1,683,670</u>

Depreciation expense of \$84,484 and \$89,424 was recorded for the years ended December 31, 2018 and 2017, respectively.

NOTE 6. LINE OF CREDIT

In October 2017, the Organization renewed a \$150,000 revolving line of credit. The line has a two-year term, provisions for annual extensions, and includes a due on demand feature. Interest at a rate of 1% over the Index as provided by Bremer Bank, National Association (which was 6.0% and 4.25% at December 31, 2018 and 2017, respectively) is payable monthly. The note is secured by all current assets. No borrowings occurred during 2018 and 2017, and none have occurred in 2019, through the date of the independent auditor's report.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Homelessness	\$400,000	\$ ---
Food Shelf	38,434	29,236
Health Access	33,333	---
Delta Dental COACH	210,000	40,241
Menthol Education	91,908	97,090
Core Services	<u>83,333</u>	<u>183,333</u>
Total	<u>\$857,008</u>	<u>\$349,900</u>

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for programs for the years ended December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Health Education and Training	\$ ---	\$ 15,627
Health Access	16,667	---
Core Services	100,000	100,000
Food Shelf	35,802	15,764
Menthol Education	155,182	93,848
Delta Dental COACH	<u>40,241</u>	<u>25,588</u>
Total	<u>\$347,892</u>	<u>\$250,827</u>

NOTE 9. IN-KIND DONATIONS

In-kind donations consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Food	\$831,930	\$753,065
Software	---	32,120
Subscriptions	<u>57,213</u>	<u>57,288</u>
Total In-Kind Support	<u>\$889,143</u>	<u>\$842,473</u>

NOTE 10. RETIREMENT PLAN

The Organization has a 401(k) plan for its employees. When eligibility requirements are satisfied, employees can elect to contribute a percentage of their biweekly wage starting at 1% and will receive a dollar for dollar employer match up to 5% of their biweekly wages. As such, a maximum contribution of 5% can be made by the Organization. The contributions totaled \$61,154 and \$62,977 for the years ended December 31, 2018 and 2017, respectively.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11. OPERATING LEASES

During 2018, the Organization entered into a 60-month lease for a copier. During 2013, the Organization entered into a 48-month lease for two copiers. This lease was not renewed during 2017, and the Organization is leasing on a month-to-month basis.

2019	\$ 3,194
2020	3,194
2021	3,194
2022	3,194
2023	<u>1,332</u>
Total	<u>\$14,108</u>

Lease expense for office equipment under these leases was \$12,972 and \$4,617 for the years ended December 31, 2018 and 2017, respectively.

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were issued, June 10, 2019. The Organization participated in a like kind exchange transaction, where they exchanged the building that they own for a floor in a new building owned by Hennepin County. There are no other subsequent events required to be disclosed in accordance with accounting standards.

NOTE 13. INCOME TAX UNCERTAINTIES

The Organization follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for the uncertainty in income taxes recognized in the entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Organization's financial statements.

The Organization's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2014 to 2018 are open to examination by federal, state, and local authorities.

NORTHPOINT HEALTH & WELLNESS CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no change on net assets previously reported.