

CONSOLIDATED FINANCIAL STATEMENTS

SOLID GROUND
WHITE BEAR LAKE, MINNESOTA

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

Solid Ground
Table of Contents
December 31, 2023 and 2022

	<u>Page No.</u>
Independent Auditor's Report	3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Activities	8
Consolidated Statements of Functional Expenses	10
Consolidated Statements of Cash Flows	12
Notes to the Consolidated Financial Statements	13
Supplementary Information	
Consolidating Statements of Financial Position	26
Consolidating Statements of Activities	30
Other Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	33
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	35
Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards	39
Schedule of Findings, Responses and Questioned Costs	40
Corrective Action Plan	42

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Solid Ground
White Bear Lake, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of Solid Ground, which comprise the consolidated statements of financial position of Solid Ground, and Solid Ground EMP LLC, as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Solid Ground, and Solid Ground EMP LLC, as of December 31, 2023, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Solid Ground, and Solid Ground EMP LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's 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.

Prior Period Financial Statements

The consolidated financial statements of the Organization as of December 31, 2022 were audited by other auditors whose report dated May 8, 2023 expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance

Abdo

Abdo
Minneapolis, Minnesota
June 27, 2024
AbdoSolutions.com



CONSOLIDATED FINANCIAL STATEMENTS

Solid Ground
Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash and cash equivalents	\$ 757,967	\$ 677,332
Accounts receivable, net	33,944	12,915
Grants receivable, net	430,080	139,586
Promises to give, current portion	40,956	109,727
Other current assets	122,881	190,593
Total Current Assets	1,385,828	1,130,153
Property and Equipment		
Land	577,500	577,500
Land improvements	211,938	209,603
Buildings and improvements	4,135,523	4,035,041
Furniture and fixtures	817,574	801,964
Construction in progress	161,320	6,525
Total Property and Equipment, Cost	5,903,855	5,630,633
Less: Accumulated Depreciation	(2,392,493)	(2,234,272)
Total Property and Equipment, Net	3,511,362	3,396,361
Noncurrent Assets		
Investments	2,602,852	2,855,986
Beneficial interest in assets held by others	569,156	530,363
Promises to give, net of current portion	342,567	232,888
Operating right-of-use assets	13,766	47,039
Total Noncurrent Assets	3,528,341	3,666,276
 Total Assets	 \$ 8,425,531	 \$ 8,192,790

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Solid Ground
Consolidated Statements of Financial Position (Continued)
December 31, 2023 and 2022

Liabilities	2023	2022
Current Liabilities		
Accounts payable	\$ 140,875	\$ 124,565
Accrued liabilities	358,302	434,351
Operating lease liabilities, current portion	13,851	20,041
Deferred revenue	2,431	4,699
Tenant security deposits	40,188	43,539
Total Current Liabilities	555,647	627,195
Noncurrent Liabilities		
Forgivable note payable	76,000	114,000
Operating lease liabilities, net of current portion	-	27,271
Long-term mortgage and notes payable, net of deferred financing cost of \$7,559 and \$8,231 in 2023 and 2022, respectively	1,775,596	1,774,924
Deferred interest	333,049	315,219
Total Noncurrent Liabilities	2,184,645	2,231,414
Total Liabilities	2,740,292	2,858,609
Net Assets		
Without donor restrictions:		
Board designated	2,515,605	3,247,108
Undesignated	1,582,153	931,689
Total without donor restrictions	4,097,758	4,178,797
With donor restrictions	1,587,481	1,155,384
Total Net Assets	5,685,239	5,334,181
Total Liabilities and Net Assets	\$ 8,425,531	\$ 8,192,790

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Solid Ground
Consolidated Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023		Total
	Without Donor Restriction	With Donor Restriction	
Revenue and Support			
Support			
Corporate and foundation grants	\$ 565,761	\$ 625,000	\$ 1,190,761
Contributions	308,340	31,470	339,810
United Way	140,800	-	140,800
Government grants	1,701,532	-	1,701,532
Special events, net of direct benefits to donors of \$88,471	296,867	-	296,867
In-kind contributions	132,199	-	132,199
Total Support	<u>3,145,499</u>	<u>656,470</u>	<u>3,801,969</u>
Revenue			
Rental income	667,155	-	667,155
Investment income	228,952	-	228,952
Program services	25,727	-	25,727
Other income	18,350	-	18,350
Total Revenue	<u>940,184</u>	<u>-</u>	<u>940,184</u>
Net Assets Released From Restrictions	<u>224,373</u>	<u>(224,373)</u>	<u>-</u>
Total Revenues and Support	<u>4,310,056</u>	<u>432,097</u>	<u>4,742,153</u>
Expenses			
Program services	3,889,363	-	3,889,363
Management and general	192,096	-	192,096
Fundraising	309,636	-	309,636
Total Expenses	<u>4,391,095</u>	<u>-</u>	<u>4,391,095</u>
Change in Net Assets	(81,039)	432,097	351,058
Net Assets, Beginning	<u>4,178,797</u>	<u>1,155,384</u>	<u>5,334,181</u>
Net Assets, Ending	<u>\$ 4,097,758</u>	<u>\$ 1,587,481</u>	<u>\$ 5,685,239</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Solid Ground
Consolidated Statements of Activities (Continued)
For the Years Ended December 31, 2022

	2022		Total
	Without Donor Restriction	With Donor Restriction	
Revenue and Support			
Support			
Corporate and foundation grants	\$ 439,446	\$ 542,500	\$ 981,946
Contributions	110,671	152,247	262,918
United Way	175,250	-	175,250
Government grants	729,789	-	729,789
Special events, net of direct benefits to donors of \$72,739	342,349	124,388	466,737
In-kind contributions	91,235	-	91,235
Total Support	<u>1,888,740</u>	<u>819,135</u>	<u>2,707,875</u>
Revenue			
Rental income	591,022	-	591,022
Investment income (loss)	(223,950)	-	(223,950)
Program services	11,727	-	11,727
Other income	19,999	-	19,999
Total Revenue	<u>398,798</u>	<u>-</u>	<u>398,798</u>
Net Assets Released From Restrictions	<u>448,856</u>	<u>(448,856)</u>	<u>-</u>
Total Revenue and Support	<u>2,736,394</u>	<u>370,279</u>	<u>3,106,673</u>
Expenses			
Program services	2,952,514	-	2,952,514
Management and general	77,772	-	77,772
Fundraising	295,278	-	295,278
Total Expenses	<u>3,325,564</u>	<u>-</u>	<u>3,325,564</u>
Change in Net Assets	(589,170)	370,279	(218,891)
Distributions	(104,191)	-	(104,191)
Net Assets, Beginning	<u>4,872,158</u>	<u>785,105</u>	<u>5,657,263</u>
Net Assets, Ending	<u>\$ 4,178,797</u>	<u>\$ 1,155,384</u>	<u>\$ 5,334,181</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Solid Ground
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2023

	Program Services								Supporting Services				Total Expenses
	East Metro Place	Home Again & Home Safe	Home Front	Ramsey County Home 2 Stay	Fast Track	Washington County CLI	Welcome Home Washington	Homework Starts with Home	Total Program Services	Management & General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 424,492	\$ 284,183	\$ 70,102	\$ 5,128	\$ 33,415	\$ 9,498	\$ 27,105	\$ 402,077	\$ 1,256,001	\$ 107,563	\$ 220,434	\$ 327,997	\$ 1,583,998
Employee benefits	32,606	16,626	5,181	84	1,060	194	3,283	47,618	106,652	8,386	23,180	31,566	138,218
Payroll taxes	33,242	20,986	5,714	389	2,586	722	2,272	28,569	94,479	6,533	16,528	23,061	117,540
Total Personnel Expenses	490,341	321,795	80,997	5,600	37,060	10,414	32,660	478,264	1,457,132	122,482	260,142	382,624	1,839,756
Rental assistance	3,093	152,342	1,286	-	537,476	263,106	-	120,134	1,077,437	-	-	-	1,077,437
Occupancy	380,232	8,225	2,423	-	-	-	3,614	10,372	404,866	1,548	3,485	5,033	409,899
Community engagement	7,835	750	620	-	-	-	255	653	10,113	131	902	1,033	11,146
Family assistance	12,261	16,815	2,498	-	143,635	59,538	555	55,580	290,882	216	457	672	291,555
Professional fees and consulting	106,219	31,301	8,917	-	2,889	67	15,005	39,616	204,013	47,340	29,639	76,979	280,991
Depreciation	144,801	-	-	-	-	-	-	-	144,801	13,420	-	13,420	158,221
In-kind expenses	43,239	34,547	28,998	-	-	-	-	25,415	132,199	-	-	-	132,199
Events	-	-	-	-	-	-	-	-	-	-	88,471	88,471	88,471
Insurance	45,545	6,574	1,888	-	-	-	2,937	6,993	63,937	1,504	3,182	4,686	68,623
Bad debt	27,062	-	-	-	-	-	-	-	27,062	-	-	-	27,062
Interest	18,222	-	-	-	-	-	-	-	18,222	-	-	-	18,222
Office supplies and expenses	5,866	2,361	1,107	-	-	-	1,020	2,846	13,200	811	3,666	4,477	17,677
Staff development	5,796	2,486	691	-	-	-	1,111	3,199	13,284	777	1,303	2,079	15,363
Equipment rental	4,770	2,348	692	-	-	-	1,038	2,860	11,707	480	962	1,442	13,149
Travel	2,482	1,736	624	-	174	-	304	2,522	7,842	3,032	585	3,616	11,458
Repairs and maintenance	6,842	-	-	-	-	-	-	-	6,842	97	-	97	6,939
Miscellaneous	760	16	28	-	-	-	7	18	829	115	5,008	5,122	5,951
Dues, memberships and subscriptions	1,177	651	187	-	-	-	291	692	2,996	145	307	451	3,447
Family development	-	2,000	-	-	-	-	-	-	2,000	-	-	-	2,000
Total Expenses by Function	1,306,542	583,946	130,955	5,600	721,235	333,125	58,797	749,164	3,889,363	192,096	398,107	590,203	4,479,566
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	-	-	-	-	-	-	-	(88,471)	(88,471)	(88,471)
Total Expenses	<u>\$ 1,306,542</u>	<u>\$ 583,946</u>	<u>\$ 130,955</u>	<u>\$ 5,600</u>	<u>\$ 721,235</u>	<u>\$ 333,125</u>	<u>\$ 58,797</u>	<u>\$ 749,164</u>	<u>\$ 3,889,363</u>	<u>\$ 192,096</u>	<u>\$ 309,636</u>	<u>\$ 501,732</u>	<u>\$ 4,391,095</u>

Solid Ground
Consolidated Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2022

	Program Services					Supporting Services			Total Expenses	
	East Metro Place	Home Again & Home Safe	Home Front	Ramsey County Home 2 Stay	Homework Starts with Home	Total Program Services	Management & General	Fundraising		Total Supporting Services
Salaries and wages	\$ 459,127	\$ 248,430	\$ 72,521	\$ 90,219	\$ 354,121	\$ 1,224,418	\$ 58,201	\$ 208,733	\$ 266,934	\$ 1,491,352
Employee benefits	34,811	22,527	5,364	6,268	26,587	95,557	4,261	15,619	19,880	115,437
Payroll taxes	29,590	18,394	4,814	10,957	23,745	87,500	3,433	19,031	22,464	109,964
Workers comp	3,177	1,701	509	763	1,946	8,096	377	790	1,167	9,263
Total Personnel Expenses	526,705	291,052	83,208	108,207	406,399	1,415,571	66,272	244,173	310,445	1,726,016
Rental assistance	462,906	6,333	1,827	2,836	6,815	480,717	1,452	3,062	4,514	485,231
Leasing subsidies	4,575	149,679	-	117,509	26,810	298,573	-	-	-	298,573
Family assistance accounts	29,092	21,544	4,321	84,159	48,753	187,869	13	27	40	187,909
Depreciation	151,767	3,247	930	1,451	3,456	160,851	298	2,093	2,391	163,242
Contract services	70,694	10,216	2,986	4,455	14,440	102,791	3,970	25,464	29,434	132,225
Events	-	-	-	-	-	-	-	72,739	72,739	72,739
In-kind direct assistance	26,617	14,676	4,340	6,575	16,852	69,060	-	-	-	69,060
Insurance and licensing	37,884	5,746	1,657	2,572	6,179	54,038	1,317	2,778	4,095	58,133
Professional services	20,853	3,361	965	1,502	3,575	30,256	2,279	2,037	4,316	34,572
Bad debts	23,156	-	-	-	-	23,156	-	6,917	6,917	30,073
Telephone and internet	9,376	4,585	1,353	1,772	5,839	22,925	724	1,603	2,327	25,252
In-kind rents	-	-	22,176	-	-	22,176	-	-	-	22,176
Other interest	18,504	-	-	-	-	18,504	-	-	-	18,504
Staff and board development	5,676	4,054	1,034	1,080	2,826	14,670	454	979	1,433	16,103
Travel, meetings, and moving	4,553	3,329	1,304	525	3,476	13,187	214	1,070	1,284	14,471
Office and program supplies	7,895	1,255	392	520	1,247	11,309	288	969	1,257	12,566
Office and program equipment	3,024	1,615	473	817	2,022	7,951	250	552	802	8,753
Postage, printing and publications	1,567	851	226	331	1,032	4,007	157	3,380	3,537	7,544
Family and youth activities	4,884	408	124	166	450	6,032	-	-	-	6,032
Miscellaneous	3,208	-	-	-	-	3,208	-	-	-	3,208
Memberships	869	403	119	182	457	2,030	84	174	258	2,288
Family development	-	2,000	-	-	-	2,000	-	-	-	2,000
Community engagement	642	355	101	158	377	1,633	-	-	-	1,633
Total Expenses by Function	1,414,447	524,709	127,536	334,817	551,005	2,952,514	77,772	368,017	445,789	3,398,303
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	-	-	-	-	(72,739)	(72,739)	(72,739)
Total Expenses	\$ 1,414,447	\$ 524,709	\$ 127,536	\$ 334,817	\$ 551,005	\$ 2,952,514	\$ 77,772	\$ 295,278	\$ 373,050	\$ 3,325,564

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Solid Ground
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 351,058	\$ (218,891)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	158,221	163,242
Bad debt expense	27,062	30,073
Interest and dividends reinvested	(171,352)	(106,004)
Unrealized loss (gain) on investments	(45,725)	336,203
Grant and loan payable forgiveness	(38,000)	(38,000)
Deferred interest	17,830	17,832
Amortization of debt issuance cost	672	672
Change in assets:		
Accounts and grants receivable	(338,587)	199,040
Promises to give	(40,908)	(84,741)
Operating right-of-use asset	33,273	-
Other current assets	67,712	(13,037)
Change in liabilities:		
Accounts payable	16,310	(91,737)
Accrued liabilities	(76,049)	359,133
Operating lease liability	(33,461)	-
Deferred revenue	(2,268)	(3,455)
Tenant security deposits	(3,351)	(1,648)
Net Cash Provided (Used) by Operating Activities	(77,563)	548,682
 Cash Flows from Investing Activities		
Purchases of property and equipment	(273,220)	(48,433)
Purchases of investments	(393,899)	(420,000)
Proceeds from sale of investments	825,317	200,000
Net Cash Provided (Used) by Investing Activities	158,198	(268,433)
 Cash Flows from Financing Activities		
Distributions to partners	-	(104,191)
 Change in Cash and Cash Equivalents	80,635	176,058
Beginning Cash and Cash Equivalents	677,332	501,274
Ending Cash and Cash Equivalents	\$ 757,967	\$ 677,332

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

A. Organization

Solid Ground (the Organization) is comprised of Solid Ground, and Solid Ground EMP LLC.

Solid Ground is a nonprofit corporation organized under the laws of the State of Minnesota. It has a mission to prevent and end homelessness of families with children through housing, resources, and opportunity. The purpose is to advocate, provide, and coordinate housing and services for families in transition and working towards self-sufficiency in the St. Paul, Minnesota metro area.

For the years ended December 31, 2023 and 2022, Solid Ground had a .01% ownership in the EMP Partnership as the General Partner and Solid Ground EMP LLC had a 99.99% ownership in the EMP Partnership as a Limited Partner.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Solid Ground, and Solid Ground EMP LLC for the years ended December 31, 2023 and 2022. All material inter-organization transactions have been eliminated.

C. Basis of Presentation

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

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

Without Donor Restriction

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Net assets without donor restrictions are available for use at the discretion of the board and/or management for general operating purposes.

With Donor Restriction

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

D. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 these estimates.

E. Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Restricted cash reported on the Statements of Financial Position and certificates of deposit and cash restricted to permanent endowment are excluded from this definition.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

F. Promise to Give

Unconditional promise to give expected to be collected within one year are recorded at net realizable value. Unconditional promise to give expected to be collected in future years are initially recorded at fair value using present value techniques. The Organization follows a policy of providing an allowance for uncollectible promise to give based upon management's judgment, including such factors as prior collection history and type of contribution.

As of December 31, 2023 the Organization anticipates the receipt of the following promises to give:

Year	Amount
2024	\$ 43,594
2025	96,908
2026	88,229
2027	67,091
2028	30,889
Thereafter	100,000
Less:	
Discount	(14,645)
Allowance	(28,543)
Total	\$ 383,523

G. Accounts Receivable

Accounts receivable are recorded at their net realizable value, and generally no collateral is required. Management of Solid Ground periodically evaluates uncollected accounts receivable based on aging, historical bad debt, and individual balances. Management provides for accounts and grants receivable bad debts using the allowance method. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's receivables have remained constant since the Organization's inception. Due to the consistent nature of their receivables the Organization is anticipating no changes in the expected credit losses. As a result, management has determined that its allowance for credit losses should not be adjusted across all its aging categories. As of December 31, 2023 and 2022, management has set up an allowance for uncollectible accounts receivable of \$0 and \$9,460, respectively.

H. Grants Receivable

Grants receivable are recorded at their net realizable value. As of December 31, 2023 and 2022, management has reported uncollectible grants receivable as bad debt expense of \$27,062 and \$30,073, respectively.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

I. Property and Equipment

Property and equipment are recorded at cost or, in the case of contributed property, at fair value at the date of contribution. Expenditures for replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed as incurred. At the time assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the statement of activities. The Organization generally capitalizes asset purchases over \$2,000. Useful lives on property and equipment are estimated as follows:

	Useful Life
Furniture and Fixtures	3 - 27.5 years
Building Improvements	3 - 27.5 years
Land Improvements	30 years
Building	20 - 40 years

For the years ended December 31, 2023 and 2022, depreciation expense was \$158,221 and \$163,242.

J. Investments

Investments consist of money market funds, debt and equity securities, and beneficial interest in assets held by The Saint Paul Foundation. The fair values of investments are estimated based on quoted market prices for those investments. See fair value measurement disclosure in Note 3 for additional information on types of investments and valuation.

K. Contributions

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and nature of any restrictions. All contributions are considered to be available for general operations unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as being without donor restriction.

L. Revenue Recognition Policy

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received and conditional pledges receivable are recorded as donor restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for general operations unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as being without donor restriction.

Revenues from cost reimbursement grant awards are recognized as costs are incurred. Grant expenditures in excess of the related grant monies drawn-down or received are recorded as grant funds receivable.

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 generally accepted accounting principles. Contributions of facility usage, materials, or qualifying services are recorded at their estimated fair value at the date of receipt.

The Organization utilizes donated in-kind space for services provided using the estimated fair value market rate of similar properties. Donated space recorded totaled \$22,176 and \$22,176 for the years ended December 31, 2023 and 2022. The value of the donated materials is estimated using fair value market rate of similar material. Contributed materials recorded as in-kind contributions totaled \$160,618 and \$105,243 for the years ended December 31, 2023 and 2022.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Solid Ground follows the provisions of Accounting Standards Codification 606, *Contracts with Customers* on revenues derived from its program services fees and rental income revenue. In the case of Rental income - which consists of residency rent, subsidy rent, vacancy, rental concessions, laundry, late charges and damage and cleaning services - revenue is recognized when earned, which is over the period of lease term. The performance obligation related to the rental income-related revenues is satisfied over the period of the lease term; therefore, Solid Ground recognizes revenue over a period of time on an annual basis.

The timing of revenue recognition, billings, and cash collection results in billed receivables and deferred revenue (contract liabilities) which are recorded on the Statement of Financial Position. Deferred revenue consists of payments received in advance that relate to services to be rendered in a future period and are deferred and recognized as revenue in the period earned. All deferred revenue is classified as current and will be recognized over the next year.

The ending contract balances were as follows for years ended December 31:

	2023	2022	2021
Accounts receivable	\$ 33,944	\$ 12,915	\$ 19,164
Deferred revenue	\$ 2,431	\$ 4,699	\$ 8,154

M. Leases

The Organization determines if an arrangement is a lease at inception. If an arrangement contains a lease, the Organization performs a lease classification test to determine if the lease is an operating lease or a finance lease. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease liabilities are recognized on the commencement date of the lease based on the present value of the future lease payments over the lease term and are included in long-term liabilities and current liabilities on the statement of financial position. ROU assets are valued at the initial measurement of the lease liability, plus any indirect costs or rent prepayments, and reduced by any lease incentives and any deferred lease payments. ROU assets are recorded on the face of the statement of financial position and are amortized over the lease term. To determine the present value of lease payments on lease commencement, the Organization uses the implicit rate when readily determinable.

Lease terms include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Operating lease expense is recognized on a straight-line basis over the life of the lease and is included within operating expenses on the statement of activities. The Organization has made the following elections related to leases:

- The Organization has elected to use a risk-free rate as the discount rate on all classes of underlying assets when an implicit rate is not readily available.
- The Organization has elected the practical expedient to account for the lease and non-lease components as a single lease component for classes of underlying assets.
- The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Short-term leases will not be capitalized.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

N. Functional Allocation of Expenses

The costs of program and supporting services 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 among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation and amortization, which are allocated on a square footage basis, as well as salaries, employee benefits, payroll taxes, telephone, printing, and insurance, which are allocated on the basis of estimates of time and effort.

O. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Because the Organization is a public charity, contributions to it may be deductible for tax purposes.

P. Reclassification

Certain amounts from the prior year have been reclassified in order to be consistent with the current year presentation.

Q. New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. ASU No. 2016-13 is effective for annual reporting periods beginning after December 15, 2022. The new guidance is effective for the Organization's year ended December 31, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

R. Subsequent Events

Subsequent events were evaluated through June 27, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2: Credit Risk

Solid Ground, and Solid Ground EMP LLC maintain cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC. Management does not believe this presents a significant risk to the Organization. The unsecured cash balance for Solid Ground MN was \$289,439 and \$611,529 and for the years ended December 31, 2023, and 2022.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 3: Fair Value Measurements

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets 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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

Government Securities: Valued at the daily closing price of the securities.

Corporate Bonds: Valued at the daily closing price of the securities.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 3: Fair Value Measurements (Continued)

Financial assets recorded in the Consolidated Statements of Financial Position include investments held at fair market value as follows at December 31, 2023 and 2022:

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2023				
Investments				
Corporate bonds	\$ 961,367	\$ -	\$ -	\$ 961,367
Government securities	708,146	-	-	708,146
Cash and cash equivalents	623,230	-	-	623,230
Mutual funds	310,109	-	-	310,109
Endowment Investments				
Multi-asset endowment portfolio	-	-	569,157	569,157
Total Investments	\$ 2,602,852	\$ -	\$ 569,157	\$ 3,172,009
December 31, 2022				
Investments				
Corporate bonds	\$ 1,499,850	\$ -	\$ -	\$ 1,499,850
Government securities	637,645	-	-	637,645
Cash and cash equivalents	438,746	-	-	438,746
Mutual funds	279,745	-	-	279,745
Endowment Investments				
Multi-asset endowment portfolio	-	-	530,363	530,363
Total Investments	\$ 2,855,986	\$ -	\$ 530,363	\$ 3,386,349

The Organization's investment income consists of the following at December 31:

	2023	2022
Investment Income (Loss)		
Unrealized gains/(losses)	\$ 45,725	\$ (336,203)
Dividends and interest	171,352	106,004
Total Investment Income (Loss)	\$ 217,077	\$ (230,199)

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 4: Endowments

The purpose of the Organization’s board-designated endowment is to provide for future spending needs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has no donor-restricted endowment funds or donor-designated endowments as of December 31, 2023 and 2022.

Board-designated endowment fund activity for the years ended December 31, 2023 and 2022 is as follows:

Endowment Net Assets, January 1, 2022	\$ 567,070
Net contributions	20,000
Investment loss	<u>(56,707)</u>
Endowment Net Assets, December 31, 2022	530,363
Investment gain	<u>38,794</u>
Endowment Net Assets, December 31, 2023	<u><u>\$ 569,157</u></u>

Investment Objectives and Strategies

The investment objective of the Endowment Fund is based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. The return target is 4% plus inflation and fees. To accomplish this return goal, the Endowment Fund will diversify its assets among several asset classes and seek to manage risk effectively. Investment fees and costs were 0.81% and 0.93% in 2023 and 2022, respectively.

Spending Policy

The purpose of the Endowment Fund is to provide funding, in perpetuity, for programs of Solid Ground. The Board of Directors will approve from time to time a spending rate but expects that a spending rate of 5.25% of a moving twenty-one quarter average but not less than 4.5% or greater than 6.0% of current market value to be appropriate for sustaining the purchasing power of the Endowment Fund and yet still providing the funding for which the Endowment Fund was established. Distributions from the Endowment Fund were \$0 in 2023 and 2022.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 5: Leases

The Organization leases its office facilities and certain equipment under operating leases. The Organization is obligated to pay the costs of insurance, taxes, repairs, and maintenance pursuant to the terms of the leases. The leases are long-term non-cancelable with expiration in 2024.

Total rental expense under operating leases was \$33,622 and \$33,622 for the years ended December 31, 2023 and 2022.

Additional information about the Organization's lease for the year ended December 31, 2023, is as follows:

Lease Expense

Operating lease expense	\$ 33,622
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Other Information

Operating cash flows from operating leases	\$ 33,810
Weighted-average remaining lease term in years for operating leases	0.54
Weighted-average discount rate for operating leases	1.25%

Maturities of lease liabilities are as follows:

Year ended December 31

2024	\$ 13,895
Less: present value discount	<u>(44)</u>
Total lease liabilities	<u>\$ 13,851</u>

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 6: Long-term Debt

Solid Ground's long term debt consisted of the following as at December 31, 2023, and 2022:

Description	2023	2022
Mortgage note payable with simple interest at 1% per annum, principal and interest due April 18, 2035, secured by mortgage on the Project. (Deferred interest of \$174,628 and \$165,293 for the years ended December 31, 2023 and 2022, respectively)	\$ 933,496	\$ 933,496
Note payable from Ramsey County HRA with simple interest at 1% per annum, principal and interest due April 30, 2035, secured by mortgage on the Project (Deferred interest of \$67,693 and \$64,074 for the years ended December 31, 2023 and 2022, respectively)	361,857	361,857
Note payable from Ramsey County HRA with simple interest at 1% per annum, principal and interest due April 30, 2035, secured by mortgage on the Project (Deferred interest of \$44,897 and \$42,496 for the years ended December 31, 2023 and 2022, respectively)	240,000	240,000
Note payable from Ramsey County HRA with simple interest at 1% per annum, principal and interest due November 30, 2035, secured by mortgage on the Project (Deferred interest of \$17,768 and \$16,789 for the years ended December 31, 2023 and 2022, respectively)	97,802	97,802
Note payable from Family Housing Fund with simple interest at 1% per annum, principal and interest due April 18, 2035, secured by mortgage on the Project (Deferred interest of \$28,067 and \$26,567 for the years ended December 31, 2023 and 2022, respectively)	150,000	150,000
Total Debt	1,783,155	1,783,155
Less: Deferred financing cost	(7,559)	(8,231)
Total Long Term Debt	\$ 1,775,596	\$ 1,774,924

Scheduled maturities of long-term debt as of December 31, 2023 are as follows:

Year	Amount	Deferred Financing Costs	Amount
2023	\$ -	\$ (672)	\$ (672)
2024	-	(672)	(672)
2025	-	(672)	(672)
2026	-	(672)	(672)
2027	-	(672)	(672)
Thereafter	1,783,155	(4,199)	1,778,956
Total	\$ 1,783,155	\$ (7,559)	\$ 1,775,596

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 7: Donor Restricted Net Assets

Donor restricted net assets on December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
East Metro Place	\$ 1,280,076	\$ 842,174
Time restricted pledges	232,410	233,890
Homework starts at home	49,474	40,078
Educational scholarship	9,964	3,290
Direct assistance	7,725	20,324
Youth	6,400	12,295
Organizational	1,432	-
Home front	-	3,333
	<u> </u>	<u> </u>
Total	<u>\$ 1,587,481</u>	<u>\$ 1,155,384</u>

Note 8: In-kind Contributions

The Organization has the following in-kind contributions at December 31:

	<u>2023</u>	<u>2022</u>	Usage in Programs / Activities	<u>Fair Value Techniques</u>
Event supplies and materials	\$ 50,595	\$ 36,184	Fundraising	Estimated wholesale prices of identical or similar products if purchased in the region
Household supplies	110,023	69,059	Programs	Estimated wholesale prices of identical or similar products if purchased in the region
Rent	<u>22,176</u>	<u>22,176</u>	Programs	Prices to comparable spaces for lease in the same region
Total	<u>\$ 182,794</u>	<u>\$ 127,419</u>		

All in-kind contributions received in the years ended December 31, 2023 and 2022 were unrestricted. In-kind contributions used in fundraising activities are grouped with special events support on the statement of activities.

Note 9: Defined Contribution Benefit Plan

Solid Ground has a qualified contributory retirement savings plan under Section 403(b) of the Internal Revenue Code, which covers all employees who meet certain eligibility requirements. Voluntary contributions may be made to the plan by the employees. Solid Ground contributions for the years ended December 31, 2023 and 2022 were \$14,732 and \$21,912, respectively.

Solid Ground
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Note 10: Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following at December 31:

	2023	2022
Cash and cash equivalents	\$ 757,967	\$ 677,332
Accounts receivable, net	33,944	12,915
Grants receivable, net	430,080	139,586
Promises to give, current portion	40,956	109,727
Investments	2,602,852	2,855,986
Total financial assets available within one year	3,865,799	3,795,546
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restriction	(1,587,481)	(1,155,384)
Total financial assets available to management for general purpose expenditures within one year	\$ 2,278,318	\$ 2,640,162

The Organization strives to maintain liquid financial assets sufficient to cover 70-90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit and investment accounts.

SUPPLEMENTARY INFORMATION

Solid Ground
Consolidating Statements of Financial Position
December 31, 2023

	<u>Solid Ground</u>	<u>EMP</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 385,801	\$ 372,166	\$ -	\$ 757,967
Accounts receivable, net	2,546	31,398	-	33,944
Grants receivable, net	430,080	-	-	430,080
Promise to give, current portion	40,956	-	-	40,956
Other current assets	<u>70,862</u>	<u>52,019</u>	<u>-</u>	<u>122,881</u>
Total Current Assets	<u>930,245</u>	<u>455,583</u>	<u>-</u>	<u>1,385,828</u>
Property and Equipment				
Land	-	577,500	-	577,500
Land improvements	-	211,938	-	211,938
Buildings and improvements	187,308	3,948,215	-	4,135,523
Furniture and fixtures	197,218	620,356	-	817,574
Construction in progress	<u>161,320</u>	<u>-</u>	<u>-</u>	<u>161,320</u>
Total Property and Equipment, Cost	545,846	5,358,009	-	5,903,855
Less: Accumulated Depreciation	<u>(237,460)</u>	<u>(2,155,033)</u>	<u>-</u>	<u>(2,392,493)</u>
Total Property and Equipment, Net	<u>308,386</u>	<u>3,202,976</u>	<u>-</u>	<u>3,511,362</u>
Noncurrent Assets				
Investments	2,867,541	-	(264,689)	2,602,852
Beneficial interest in assets held by others	569,156	-	-	569,156
Promises to give, net of current portion	342,567	-	-	342,567
Operating right-of-use assets	<u>13,766</u>	<u>-</u>	<u>-</u>	<u>13,766</u>
Total Other Noncurrent Assets	<u>3,793,030</u>	<u>-</u>	<u>(264,689)</u>	<u>3,528,341</u>
Total Assets	<u>\$ 5,031,661</u>	<u>\$ 3,658,559</u>	<u>\$ (264,689)</u>	<u>\$ 8,425,531</u>

Solid Ground
Consolidating Statements of Financial Position (Continued)
December 31, 2023

	<u>Solid Ground</u>	<u>EMP</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 124,564	\$ 16,311	\$ -	\$ 140,875
Accrued liabilities	92,891	265,411	-	358,302
Operating lease liabilities, current portion	13,851	-	-	13,851
Deferred revenue	-	2,431	-	2,431
Tenant security deposits	-	40,188	-	40,188
Total Current Liabilities	<u>231,306</u>	<u>324,341</u>	<u>-</u>	<u>555,647</u>
Noncurrent Liabilities				
Forgivable note payable	76,000	-	-	76,000
Long-term mortgage and notes payable, net	-	2,300,596	(525,000)	1,775,596
Deferred interest	-	768,933	(435,884)	333,049
Total Noncurrent Liabilities	<u>76,000</u>	<u>3,069,529</u>	<u>(960,884)</u>	<u>2,184,645</u>
Total Liabilities	<u>307,306</u>	<u>3,393,870</u>	<u>(960,884)</u>	<u>2,740,292</u>
Net Assets				
Without donor restrictions:				
Board designated	2,515,605	-	-	2,515,605
Undesignated	621,269	264,689	696,195	1,582,153
Total without donor restrictions	<u>3,136,874</u>	<u>264,689</u>	<u>696,195</u>	<u>4,097,758</u>
With donor restriction	<u>1,587,481</u>	<u>-</u>	<u>-</u>	<u>1,587,481</u>
Total Net Assets	<u>4,724,355</u>	<u>264,689</u>	<u>696,195</u>	<u>5,685,239</u>
Total Liabilities and Net Assets	<u>\$ 5,031,661</u>	<u>\$ 3,658,559</u>	<u>\$ (264,689)</u>	<u>\$ 8,425,531</u>

Solid Ground
Consolidating Statements of Financial Position (Continued)
December 31, 2022

	<u>Solid Ground</u>	<u>EMP</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 291,753	\$ 385,579	\$ -	\$ 677,332
Accounts receivable, net	2,520	10,395	-	12,915
Grants receivable, net	139,586	-	-	139,586
Promise to give, current portion	109,727	-	-	109,727
Other current assets	104,569	86,024	-	190,593
Total Current Assets	<u>648,155</u>	<u>481,998</u>	<u>-</u>	<u>1,130,153</u>
Property and Equipment				
Land	-	577,500	-	577,500
Land improvements	-	209,603	-	209,603
Buildings and improvements	106,626	3,928,415	-	4,035,041
Furniture and fixtures	197,218	604,746	-	801,964
Construction in progress	6,525	-	-	6,525
Total Property and Equipment, Cost	<u>310,369</u>	<u>5,320,264</u>	<u>-</u>	<u>5,630,633</u>
Less: Accumulated Depreciation	<u>(210,871)</u>	<u>(2,023,401)</u>	<u>-</u>	<u>(2,234,272)</u>
Total Property and Equipment, Net	<u>99,498</u>	<u>3,296,863</u>	<u>-</u>	<u>3,396,361</u>
Noncurrent Assets				
Investments	2,855,986	-	-	2,855,986
Beneficial interest in assets held by others	530,363	-	-	530,363
Promise to give, net of current portion	232,888	-	-	232,888
Operating right-of-use assets	47,039	-	-	47,039
Interest in EMP Partnership	241,031	-	(241,031)	-
Total Other Noncurrent Assets	<u>3,907,307</u>	<u>-</u>	<u>(241,031)</u>	<u>3,666,276</u>
Total Assets	<u>\$ 4,654,960</u>	<u>\$ 3,778,861</u>	<u>\$ (241,031)</u>	<u>\$ 8,192,790</u>

Solid Ground
Consolidating Statements of Financial Position (Continued)
December 31, 2022

	<u>Solid Ground</u>	<u>EMP</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 43,798	\$ 80,767	\$ -	\$ 124,565
Accrued liabilities	76,553	357,798	-	434,351
Operating lease liabilities, current	20,041	-	-	20,041
Deferred rent	-	4,699	-	4,699
Security deposit	-	43,539	-	43,539
Total Current Liabilities	<u>140,392</u>	<u>486,803</u>	<u>-</u>	<u>627,195</u>
Noncurrent Liabilities				
Forgivable grant on loan payable	114,000	-	-	114,000
Operating lease liabilities, net of current portion	27,271	-	-	27,271
Long-term mortgage and notes payable, net	-	2,299,924	(525,000)	1,774,924
Deferred interest	-	751,103	(435,884)	315,219
Total Noncurrent Liabilities	<u>141,271</u>	<u>3,051,027</u>	<u>(960,884)</u>	<u>2,231,414</u>
Total Liabilities	<u>281,663</u>	<u>3,537,830</u>	<u>(960,884)</u>	<u>2,858,609</u>
Net Assets				
Without donor restriction				
Board designated	3,247,108	-	-	3,247,108
Undesignated	(29,195)	241,031	719,853	931,689
Total without donor restrictions	<u>3,217,913</u>	<u>241,031</u>	<u>719,853</u>	<u>4,178,797</u>
With donor restriction	<u>1,155,384</u>	<u>-</u>	<u>-</u>	<u>1,155,384</u>
Total Net Assets	<u>4,373,297</u>	<u>241,031</u>	<u>719,853</u>	<u>5,334,181</u>
Total Liabilities and Net Assets	<u>\$ 4,654,960</u>	<u>\$ 3,778,861</u>	<u>\$ (241,031)</u>	<u>\$ 8,192,790</u>

Solid Ground
Consolidating Statements of Activities
For the Year Ended December 31, 2023

	<u>Solid Ground</u>	<u>EMP</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and Support				
Support				
Corporate and foundation grants	\$ 1,185,570	\$ 5,191	\$ -	\$ 1,190,761
Contributions	339,810	-	-	339,810
United Way	140,800	-	-	140,800
Government grants	1,701,532	-	-	1,701,532
Special events, net of direct benefits to donor of \$88,471	296,867	-	-	296,867
In-kind contributions	132,199	-	-	132,199
Total Support	<u>3,796,778</u>	<u>5,191</u>	<u>-</u>	<u>3,801,969</u>
Revenue				
Rental income	-	667,155	-	667,155
Investment income	214,549	14,403	-	228,952
Program services	25,727	-	-	25,727
Other income	-	18,350	-	18,350
Total Revenue	<u>240,276</u>	<u>699,908</u>	<u>-</u>	<u>940,184</u>
Total Revenue and Support	<u>4,037,054</u>	<u>705,099</u>	<u>-</u>	<u>4,742,153</u>
Expenses				
Program services	3,186,511	702,852	-	3,889,363
Management and general	192,096	-	-	192,096
Fundraising	309,636	-	-	309,636
Total Expenses	<u>3,688,243</u>	<u>702,852</u>	<u>-</u>	<u>4,391,095</u>
Change in Net Assets	348,811	2,247	-	351,058
Contribution to partnership	-	21,410	(21,410)	-
Net income from the partnership	<u>2,247</u>	<u>-</u>	<u>(2,247)</u>	<u>-</u>
Total Change in Net Assets	351,058	23,657	(23,657)	351,058
Net Assets, Beginning	<u>4,373,297</u>	<u>241,031</u>	<u>719,853</u>	<u>5,334,181</u>
Net Assets, Ending	<u>\$ 4,724,355</u>	<u>\$ 264,688</u>	<u>\$ 696,196</u>	<u>\$ 5,685,239</u>

Solid Ground
Consolidating Statements of Activities (Continued)
For the Year Ended December 31, 2022

	<u>Solid Ground</u>	<u>EMP</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and Support				
Support				
Corporate and foundation grants	\$ 969,268	\$ 12,678	\$ -	\$ 981,946
Contributions	262,918	-	-	262,918
United Way	175,250	-	-	175,250
Government grants	729,789	-	-	729,789
Special events, net of direct benefits to donor of \$72,739	466,737	-	-	466,737
In-kind contribution	91,235	-	-	91,235
Total Support	<u>2,695,197</u>	<u>12,678</u>	<u>-</u>	<u>2,707,875</u>
Revenue				
Rental income	-	593,113	(2,091)	591,022
Investment income (loss)	(227,850)	3,900	-	(223,950)
Program services	11,727	-	-	11,727
Other income	-	19,999	-	19,999
Total Revenue	<u>(216,123)</u>	<u>617,012</u>	<u>(2,091)</u>	<u>398,798</u>
Total Revenue and Support	<u>2,479,074</u>	<u>629,690</u>	<u>(2,091)</u>	<u>3,106,673</u>
Expenses				
Program services	2,177,075	777,530	(2,091)	2,952,514
Management and general	77,772	-	-	77,772
Fundraising	295,278	-	-	295,278
Total Expenses	<u>2,550,125</u>	<u>777,530</u>	<u>(2,091)</u>	<u>3,325,564</u>
Change in Net Assets	(71,051)	(147,840)	-	(218,891)
Distribution to former partners of the partnership	(104,191)	(104,191)	104,191	(104,191)
Net loss from the partnership	<u>(147,840)</u>	<u>-</u>	<u>147,840</u>	<u>-</u>
Total Change in Net Assets	(323,082)	(252,031)	252,031	(323,082)
Net Assets, Beginning	<u>4,696,379</u>	<u>493,062</u>	<u>467,822</u>	<u>5,657,263</u>
Net Assets, Ending	<u>\$ 4,373,297</u>	<u>\$ 241,031</u>	<u>\$ 719,853</u>	<u>\$ 5,334,181</u>

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Solid Ground
White Bear Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Solid Ground (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
June 27, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Solid Ground
White Bear Lake, Minnesota

Opinion on Each Major Federal Program

We have audited the Organization's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
June 27, 2024



Solid Ground
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Program Title Pass-through Grantor	Assistance Listing Number	Pass-through Identifying Number	Direct Federal Expenditures	Pass-Through Federal Expenditures	Federal Expenditures
U.S. Department of Housing and Urban Development:					
Section 8 Housing Choce Vouchers					
Direct	14.871	N/A	\$ 509,523	\$ -	509,523
Continuum of Care Program					
Direct	14.267	N/A	88,340	-	88,340
<i>Total U.S. Department of Housing and Urban Development</i>			<u>597,863</u>	<u>-</u>	<u>597,863</u>
U.S. Department of Health and Human Services:					
Medicaid Cluster					
Medical Assistance Program					
Passed-Through Washington County Community Services CRP	93.778	None noted	-	333,004	333,004
Total Medicaid Cluster			<u>-</u>	<u>333,004</u>	<u>333,004</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>-</u>	<u>333,004</u>	<u>333,004</u>
Total Federal Expenditures			<u>\$ 597,863</u>	<u>\$ 333,004</u>	<u>\$ 930,867</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

Solid Ground
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200.516(a), *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2023, the Organization did not elect to use the 10% de minimis indirect cost rate.

Solid Ground
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	Yes

Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) (Uniform Guidance)?	Yes

**Assistance
Listing
Number**

Identification of Major Programs:

Section 8 Housing Choice Vouchers	14.871
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

A material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Finding 2020-001 is reported as a material weakness.

2023-001 Material Audit Adjustments

Condition:

During our audit, material adjustments were needed to adjust accounts to correct balances at year end. Significant accounts affected include net assets and insurance reimbursement liability.

Criteria:

Management should have procedures in place to identify misstatements in the financial statements.

Cause:

As a result of the processes and procedures in place, the financials were not being properly updated to reflect the Organization's activities and accrual entries were improperly accounted for.

Effect:

Net assets and insurance reimbursement liability were materially misstated. The audit firm noted the misstatements and presented adjusting journal entries during the audit.

Recommendation:

We recommend that the Organization review and update month-end and year-end processes to ensure that all accounts are current at year end and recorded according to GAAP.

Views of Responsible Officials:

Management agrees with the finding.

Solid Ground
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2023

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Significant deficiencies relating to the Organization's compliance with the Uniform Guidance are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Reporting on Internal Control over Compliance Required by the Uniform Guidance. Findings 2023-002 are reported as significant deficiencies.

2023-002 Section 8 Housing Choice Vouchers - Significant Deficiency in Internal Controls over Compliance

Condition:

Management did not implement internal controls over rent subsidies. It was noted while testing key controls over subsidies recorded to Solid Ground's financial records.

Criteria:

Solid Ground must establish and maintain effective internal controls over the financial award that provides reasonable assurance that the non-Federal entity is managing the Federal Award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award per CFR § 200.303. These requirements detail the information that must be included in Solid Ground's internal controls.

Cause:

Management did not design and implement internal controls to review and reconcile subsidies.

Effect:

The absence of controls over subsidies incurred lead to an increase risk of errors, misstatements, or omissions in the financials statements which could misreport Solid Ground's financial statements

Recommendation:

We recommend Solid Ground to perform a monthly review and/or reconciliation over the subsidies recorded by the Property Management Company to ensure the subsidies are complete and accurate.

Views of Responsible Officials:

Management agrees with the finding.

OTHER ISSUES

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.

See the following page for the Corrective Action Plan.



CORRECTIVE ACTION PLAN

6/27/24

U.S. Department of Housing and Urban Development

Solid Ground respectfully submits the following corrective action plan for the year ended December 31, 2023.

Name and address of independent public accounting firm:

Abdo

5201 Eden Avenue, Suite 250

Edina, MN 55436

Audit period: January 1, 2023 – December 31, 2023

The findings from the December 31, 2023, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings - Major Federal Award Programs Audit

2023-002 - Section 8 Housing Choice Vouchers - Significant Deficiency in Internal Controls over Compliance

Recommendation:

We recommend that Solid Ground design and implement a monthly review and/or reconciliation of the rent subsidies recorded by the Property Management Company to ensure that they are complete and accurate.

Planned Action:

Management agrees with the finding.

Beginning in June 2024, management has contracted with a third party to assist in developing a process to review and reconcile the rent subsidies provided by the property management company.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Diamond Hunter, Executive Director, at 651-308-2570.

Sincerely,

A handwritten signature in black ink that reads "Diamond Hunter".

Diamond Hunter
Executive Director