

AVIVO AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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AVIVO AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Avivo and Subsidiaries
Minneapolis, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Avivo and Subsidiaries (the organization) (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, 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 referred to above present fairly, in all material respects, the consolidated financial position of Avivo and Subsidiaries as of December 31, 2023 and 2022, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated 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 Avivo and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Avivo and Subsidiaries' 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 Avivo and Subsidiaries' 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, on our consideration of Avivo and Subsidiaries' 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 Avivo and Subsidiaries' 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 Avivo and Subsidiaries' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 28, 2024

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,465,147	\$ 2,845,736
Grants Receivable	3,854,848	2,443,315
Program Receivable	985,773	2,357,995
Less: Allowance for Credit Losses	<u>(157,209)</u>	<u>(261,825)</u>
Program Receivable, Net	828,564	2,096,170
Pledges Receivable	474,002	395,652
Prepaid Expenses	<u>1,004,475</u>	<u>976,132</u>
Total Current Assets	7,627,036	8,757,005
OTHER ASSETS		
Charitable Remainder Unitrust	276,337	261,319
Unemployment Trust	102,202	241,951
Right of Use Asset - Operating	4,101,024	2,804,901
Property and Equipment, Net	<u>12,112,577</u>	<u>12,668,009</u>
Total Other Assets	<u>16,592,140</u>	<u>15,976,180</u>
Total Assets	<u><u>\$ 24,219,176</u></u>	<u><u>\$ 24,733,185</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 292,299	\$ 663,297
Accrued Expenses	2,214,874	1,556,539
Notes Payable - Current	807,574	366,360
Lease Liability - Current Operating	835,869	899,407
Refundable Advances	12,666	22,289
Deferred Revenue	<u>30,000</u>	<u>-</u>
Total Current Liabilities	4,193,282	3,507,892
LONG-TERM LIABILITIES		
Notes Payable - Long Term	8,567,900	8,967,250
Lease Liability - Long-Term Operating	<u>3,355,537</u>	<u>1,965,301</u>
Total Long-Term Liabilities	<u>11,923,437</u>	<u>10,932,551</u>
Total Liabilities	16,116,719	14,440,443
NET ASSETS		
Without Donor Restrictions	5,786,792	8,496,498
With Donor Restrictions	<u>2,315,665</u>	<u>1,796,244</u>
Total Net Assets	<u>8,102,457</u>	<u>10,292,742</u>
Total Liabilities and Net Assets	<u><u>\$ 24,219,176</u></u>	<u><u>\$ 24,733,185</u></u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government Contracts	\$ 23,237,846	\$ -	\$ 23,237,846	\$ 20,732,128	\$ -	\$ 20,732,128
Program Service Fees	9,110,612	745,672	9,856,284	11,939,768	-	11,939,768
Contributions	1,807,608	584,614	2,392,222	1,635,892	497,902	2,133,794
In Kind Revenue	1,011,935	-	1,011,935	-	-	-
United Way	140,700	140,700	281,400	148,450	148,450	296,900
Change in Value of Trust	-	15,019	15,019	-	(76,264)	(76,264)
Interest Income	11,903	-	11,903	329	-	329
Gain on Disposal of Property and Equipment	348,441	-	348,441	971,829	-	971,829
Miscellaneous	338,240	-	338,240	49,233	-	49,233
Net Assets Released from Restriction	966,584	(966,584)	-	934,149	(934,149)	-
Total Support and Revenue	36,973,869	519,421	37,493,290	36,411,778	(364,061)	36,047,717
EXPENSES						
Program Services:						
Career Education/Employment Services	9,401,026	-	9,401,026	8,152,236	-	8,152,236
Ending Homelessness	7,191,133	-	7,191,133	16,334,629	-	16,334,629
Chemical and Mental Health	17,268,726	-	17,268,726	8,913,834	-	8,913,834
Total Program Services	33,860,885	-	33,860,885	33,400,699	-	33,400,699
Support Services:						
Management and General	4,333,004	-	4,333,004	3,706,167	-	3,706,167
Fundraising	1,489,686	-	1,489,686	1,366,904	-	1,366,904
Total Support Services	5,822,690	-	5,822,690	5,073,071	-	5,073,071
Total Expenses	39,683,575	-	39,683,575	38,473,770	-	38,473,770
CHANGE IN NET ASSETS	(2,709,706)	519,421	(2,190,285)	(2,061,992)	(364,061)	(2,426,053)
Net Assets - Beginning of Year	8,496,498	1,796,244	10,292,742	10,558,490	2,160,305	12,718,795
NET ASSETS - END OF YEAR	<u>\$ 5,786,792</u>	<u>\$ 2,315,665</u>	<u>\$ 8,102,457</u>	<u>\$ 8,496,498</u>	<u>\$ 1,796,244</u>	<u>\$ 10,292,742</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services				Support Services			
	Career Education/ Employment Services	Ending Homelessness	Chemical and Mental Health	Total Program Services	Management and General	Fundraising	Total Support Services	Total All Services
Salaries	\$ 5,404,733	\$ 4,697,677	\$ 6,046,068	\$ 16,148,478	\$ 2,103,076	\$ 543,796	\$ 2,646,872	\$ 18,795,350
Payroll Taxes	397,654	346,426	447,877	1,191,957	146,250	39,434	185,684	1,377,641
Employee Benefits	737,731	640,076	658,707	2,036,514	428,735	61,736	490,471	2,526,985
Total Personnel Costs	6,540,118	5,684,179	7,152,652	19,376,949	2,678,061	644,966	3,323,027	22,699,976
Assistance Provided to								
Individuals	1,478,768	107,102	4,897,441	6,483,311	-	466,784	466,784	6,950,095
Professional Fees	188,896	317,770	429,954	936,620	627,092	223,177	850,269	1,786,889
Occupancy	657,471	315,064	2,478,208	3,450,743	397,691	31,308	428,999	3,879,742
Supplies	176,413	230,714	866,007	1,273,134	73,898	18,855	92,753	1,365,887
Technology and Communication	102,532	72,394	127,887	302,813	38,251	8,127	46,378	349,191
Postage and Shipping	16,024	3,060	3,826	22,910	4,979	1,163	6,142	29,052
Printing and Publications	2,581	382	544	3,507	41,904	4,656	46,560	50,067
Local Transportation	32,673	60,499	49,386	142,558	1,239	79	1,318	143,876
Conferences and Meetings	10,037	58,506	23,268	91,811	47,060	70,571	117,631	209,442
Equipment	83,657	68,190	98,078	249,925	48,511	5,602	54,113	304,038
Depreciation	34,228	25,040	702,775	762,043	112,473	2,899	115,372	877,415
Insurance	30,915	28,346	35,329	94,590	204,162	2,899	207,061	301,651
Membership Dues	5,485	37,230	-	42,715	17,080	-	17,080	59,795
Uncollectible Accounts	-	133,781	49,481	183,262	-	-	-	183,262
Other Expense	16,697	27,554	61,168	105,419	3,766	6,132	9,898	115,317
Interest	24,531	21,322	292,722	338,575	36,837	2,468	39,305	377,880
Total Expenses	<u>\$ 9,401,026</u>	<u>\$ 7,191,133</u>	<u>\$ 17,268,726</u>	<u>\$ 33,860,885</u>	<u>\$ 4,333,004</u>	<u>\$ 1,489,686</u>	<u>\$ 5,822,690</u>	<u>\$ 39,683,575</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services				Support Services			
	Career Education/ Employment Services	Ending Homelessness	Chemical and Mental Health	Total Program Services	Management and General	Fundraising	Total Support Services	Total All Services
Salaries	\$ 4,860,967	\$ 5,913,854	\$ 5,608,057	\$ 16,382,878	\$ 1,987,750	\$ 434,048	\$ 2,421,798	\$ 18,804,676
Payroll Taxes	307,453	366,788	372,098	1,046,339	135,943	18,597	154,540	1,200,879
Employee Benefits	699,251	744,388	747,604	2,191,243	260,269	50,199	310,468	2,501,711
Total Personnel Costs	5,867,671	7,025,030	6,727,759	19,620,460	2,383,962	502,844	2,886,806	22,507,266
Assistance Provided to								
Individuals	932,127	4,249,417	119,105	5,300,649	-	-	-	5,300,649
Professional Fees	142,930	207,078	304,033	654,041	491,658	695,289	1,186,947	1,840,988
Occupancy	611,927	2,460,505	482,795	3,555,227	212,970	31,088	244,058	3,799,285
Supplies	190,831	755,631	249,211	1,195,673	91,327	34,093	125,420	1,321,093
Interest Expense	108,228	107,859	100,581	316,668	53,688	7,088	60,776	377,444
Technology and Communication	9,690	2,837	3,489	16,016	4,942	536	5,478	21,494
Postage and Shipping	495	2,483	2,614	5,592	14,153	1,175	15,328	20,920
Printing and Publications	32,120	42,132	40,481	114,733	1,295	151	1,446	116,179
Local Transportation	14,490	27,669	46,764	88,923	23,290	70,090	93,380	182,303
Conferences and Meetings	97,842	113,376	116,603	327,821	54,969	9,065	64,034	391,855
Equipment	79,011	831,178	31,745	941,934	159,937	2,886	162,823	1,104,757
Insurance	30,650	33,218	35,489	99,357	117,858	2,886	120,744	220,101
Membership Dues	5,970	300	32,340	38,610	21,343	-	21,343	59,953
Uncollectible Accounts	-	131,968	582,061	714,029	-	-	-	714,029
Depreciation	3,110	45,584	10,152	58,846	58,470	7,112	65,582	124,428
Other Expense	25,144	298,364	28,612	352,120	16,305	2,601	18,906	371,026
Total Expenses	\$ 8,152,236	\$ 16,334,629	\$ 8,913,834	\$ 33,400,699	\$ 3,706,167	\$ 1,366,904	\$ 5,073,071	\$ 38,473,770

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,190,285)	\$ (2,426,053)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Operating Cash Flows from Operating Leases	(1,083,013)	(1,087,283)
Operating Lease Amortization	1,113,588	1,147,090
Amortization of Debt Issuance Costs	-	14,491
Change in Value of Charitable Remainder Unitrust	(15,018)	76,264
Change in Value of Unemployment Trust	139,749	212,296
Gain on Disposal of Fixed Assets	(348,441)	(971,829)
Depreciation	877,415	1,104,756
Uncollectible Accounts	183,262	714,029
Increase in Current Assets:		
Accounts and Grant Receivable	(327,189)	(1,866,667)
Pledges Receivable	(78,350)	(29,652)
Prepaid Expenses	(28,343)	(8,252)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(370,998)	375,256
Accrued Expenses	658,335	(520,546)
Refundable Advances	(9,623)	8,009
Deferred Revenue	30,000	-
Net Cash Used by Operating Activities	<u>(1,448,911)</u>	<u>(3,258,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(708,024)	(87,833)
Proceeds from Disposal of Property Plant and Equipment	<u>734,482</u>	<u>1,161,070</u>
Net Cash Provided by Investing Activities	26,458	1,073,237
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	401,000	-
Principal Payments on Debt	<u>(359,136)</u>	<u>(358,460)</u>
Net Cash Provided (Used) by Financing Activities	<u>41,864</u>	<u>(358,460)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,380,589)	(2,543,314)
Cash and Cash Equivalents - Beginning of Year	<u>2,845,736</u>	<u>5,389,050</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,465,147</u>	<u>\$ 2,845,736</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 377,881</u>	<u>\$ 386,729</u>
Noncash Right of Use Asset (See Note 5)	<u>\$ 977,295</u>	<u>\$ 599,999</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Avivo (the Organization) is a nonprofit organization whose mission is to increase well-being through recovery and career advancement while working to end homelessness. Annually, the Organization serves nearly 13,000 individuals and families through:

Ending Homelessness – Uniquely pairs housing and shelter services with medical care, treatment, employment services and training depending on the individual's needs to support people experiencing homelessness find housing, shelter and support in order to take their next best steps to stability and healthier well-being.

Career Education and Employment Services – Provides career training programs and job placement services for people with disabilities and other barriers to employment.

Chemical and Mental Health – Supports low-income men, women, and families in recovery through integrated, trauma-informed care-access, treatment, recovery support, and care coordination to help them achieve wellness and life-long recovery.

During 2020, Avivo Housing, LLC was formed and has the charitable purpose of providing transitional housing for individuals experiencing homelessness or at-risk homelessness who are participants in Avivo's recovery, career advancement or ending homelessness programs as they transition to permanent housing.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Avivo, Avivo LLC, and HEART, Inc. All significant intercompany balances and transactions have been eliminated.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent amounts which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Program receivables are stated at net realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information and specific payor limitations. Accounts past due are individually analyzed for collectability. An allowance is provided for accounts when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Grant receivables are recognized in the period the grants are made. Conditional grants are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Promises-to-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Pledges receivable at December 31, 2023 are expected to be received through 2024 and 2025.

Investments

Investments are stated at fair value based on quoted market prices and consist of contributions received of shares of stock.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets—operating and lease liability, and finance leases are included in ROU assets—financing and lease liability in the consolidated statements of financial position.

ROU assets represent the Organization's 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. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use their incremental borrowing rate.

The Organization has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

All major expenditures for property and equipment that are over \$5,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives.

Charitable Remainder Unitrust

HEART, Inc. is party to a Trust Agreement for which they are the remainder beneficiary upon the death of the lead beneficiary. The interest in the charitable remainder unitrust is carried at fair value based on the life expectancy of lead beneficiary and the fair value of the trust assets.

Unemployment Trust

The Organization has an unemployment trust agreement for which they make contributions to cover future claims from former employees.

Government Contracts

Conditional government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made. The Organization received federal and state grants of \$13,333,482 that have not been recognized at December 31, 2023 because qualifying expenditures have not yet been incurred.

Contributions

Contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Program Service Fees

Program Service Fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to their program participants. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retrospective revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the participants and third-party payors several days after the services are performed and/or participant is discharged from the program. Revenue is recognized as performance obligations are satisfied.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Fees (Continued)

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Organization measures the performance obligation from admission into the program, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that participant, which is generally at the time of discharge or completion of the program.

Functional Allocation of Expense

Salaries and related expenses are allocated based on time spent and program assignments. Occupancy and depreciation expenses are allocated based on direct program or support service usage. Other expenses, such as professional fees are directly identified to specific programs or administrative functions.

Risks and Uncertainties

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Federal Income Taxes

The Organization is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. As such, it is subject to federal and state income taxes on net unrelated business income.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions and files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the Internal Revenue Service.

Fair Value Measurements

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds, and real estate.

The Organization has one Level 3 investment in its interest in the Charitable Remainder Unitrust that was valued at \$276,337 and \$261,319 at December 31, 2023 and 2022, respectively. There are no contributions to the unitrust and the value has changed based on the fair value calculation.

The following table provides a summary of changes in fair value of the Level 3 financial asset, the Charitable Remainder Unitrust for the years ended December 31:

	2023	2022
Balance - Beginning of Year	\$ 261,319	\$ 337,583
Change in Fair Value of Trust	15,018	(76,264)
Balance - End of Year	<u>\$ 276,337</u>	<u>\$ 261,319</u>

Adoption of Accounting Principle

Allowance for Credit Losses

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the management of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Principle (Continued)

The Organization adopted the requirements of this guidance effective January 1, 2023, and has elected to apply the provisions of these standards to the beginning of the period of adopting. The impact of the adopting was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 28, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 CONCENTRATIONS

Significant Concentrations of Credit Risk

The Organization provides services primarily within the Twin Cities and surrounding communities. The amounts due for services provided are from individuals, substantially all of which are local residents or their third-party payors. In addition, accounts and pledges receivable are primarily from local residents, governments, or institutions.

Contributions

No individual donors constituted significant amount of total contributions and two donors constituted approximately 33% of total contributions for the years ended December 31, 2023 and 2022, respectively.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At various times during 2023 and 2022, the Organization held funds at a local financial institution in excess of federally insured limits.

NOTE 3 PROPERTY AND EQUIPMENT

The Organization owns the following as of December 31:

	2023	2022
Land	\$ 976,400	\$ 976,400
Buildings and Leasehold Improvements	17,074,726	17,148,788
Equipment and Furniture	2,459,698	2,470,827
Construction in Progress	170,193	113,335
Total	20,681,017	20,709,350
Less: Accumulated Depreciation/Amortization	(8,568,440)	(8,041,341)
Property and Equipment, Net	<u>\$ 12,112,577</u>	<u>\$ 12,668,009</u>

Depreciation expense was \$877,415 and \$1,104,757 for the years ended December 31, 2023 and 2022, respectively.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 NOTES PAYABLE

During 2020, the Organization entered into three loan agreements to purchase three properties. Two of the loans entered into were with Greater Minnesota Housing Fund and the other loan was entered with the City of Minneapolis.

Notes payable consist of the following at December 31:

<u>Description</u>	<u>2023</u>	<u>2022</u>
2017 tax-exempt revenue bond issued by the city of Landfall, monthly amounts including interest of 3.02%. Last principal and interest payments due 2034.	\$ 2,691,427	\$ 2,905,552
2018 tax exempt revenue bond issued by Minneapolis Community Development Agency, monthly amounts including interest of 4.06%. Last payment and all remaining principal and interest due 2038.	1,423,336	1,492,133
Loan issued by the City of Minneapolis including interest of 3.75%. Payment of all principal and interest due 2045.	548,522	529,078
Loan issued by the Greater Minnesota Housing Fund, monthly amounts including interest of 3.75%. Last payment and all remaining principal and interest due 2050.	4,207,346	4,294,951
Loan issued by the Greater Minnesota Housing Fund, monthly amounts including interest of 3.75%. Last and all remaining principal and interest due 2035.	364,515	387,048
Line of Credit issued by Bremer Bank. Maximum principal amount of \$1,000,000 maturing August 24, 2024	401,000	-
Total	9,636,146	9,608,762
Less: Portion Due Within One Year	(807,574)	(366,360)
Less: Unamortized Issuance Costs, Net	(260,672)	(275,152)
Long-Term Portion	<u>\$ 8,567,900</u>	<u>\$ 8,967,250</u>

Each note is secured by certain land, buildings, and improvements.

The City of Minneapolis loan is an interest free loan of \$1,250,000 and is due in 2045. The loan was discounted at a rate of 3.75% and this resulted in the principal due of \$548,522 and \$529,078 as of December 31, 2023 and 2022, respectively, and the remaining is considered a donor-restricted contribution of \$701,478 and \$720,922 on the consolidated statements of activities as of December 31, 2023 and 2022, respectively.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 NOTES PAYABLE (CONTINUED)

Future principal payment amounts include payment due for debt outstanding at December 31, 2023, and amounts due under the expected refinancing. Principal payments required are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 807,574
2025	421,276
2026	436,143
2027	451,544
2028	452,922
Thereafter	7,066,687
Total	<u>\$ 9,636,146</u>

Effective August 8, 2017, the Organization entered into a promissory note with an original expiration date of July 31, 2019. Effective July 31, 2020, the Organization renewed the promissory note agreement. Available borrowings under the line of credit are \$1,000,000. Interest is payable monthly at the bank's index rate (3.25% at December 31, 2020). This promissory note is secured by all business assets. The note expired on July 31, 2023 and subsequently renewed with a maturity date of August 24, 2024. At December 31, 2023 and 2022, there was \$401,000 and \$-0- of borrowings on the note, respectively.

NOTE 5 LEASES

The Organization leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027 and provide for renewal options up to three years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs. The Organization does not have any covenants with these agreements or required to maintain certain financial ratios.

The following table provides the Organization's right of use assets and lease liability for the year ended December 31.

	<u>2023</u>	<u>2022</u>
Right of Use Assets:		
Operating Leases, Net	\$ 4,101,024	\$ 2,804,901
Lease Liabilities:		
Current:		
Operating Leases	\$ 835,869	\$ 899,407
Noncurrent:		
Operating Leases	\$ 3,355,537	\$ 1,965,301

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LEASES (CONTINUED)

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

Lease Cost:		
Operating Lease Cost	\$ 1,064,850	\$ 1,017,271
Other Information:		
Operating Cash Flows from Operating Leases	\$ 1,083,013	\$ 1,087,283
Right of Use Assets Obtained in Exchange for New Operating Lease Liability	\$ 977,295	\$ 599,999
Weighted Average Remaining Lease Term - Finance Leases	N/A	N/A
Weighted Average Remaining Lease Term - Operating Leases	4.7 Years	3.8 Years
Weighted Average Discount Rate - Operating Leases	3.1 %	3.0 %

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

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 945,843
2025	900,624
2026	823,303
2027	636,992
2028	479,512
Thereafter	767,168
Total	4,553,442
Less: Imputed Interest	(362,036)
Lease Liability	<u>\$ 4,191,406</u>

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of amounts for the following programs at December 31:

	2023	2022
Ending Homelessness	\$ 121,486	\$ 115,794
Career Education	483,862	427,542
Chemical and Mental Health	554,297	70,000
General Fundraising	723,148	753,139
Time Restricted	140,652	148,450
Employment Program	15,882	20,000
Charitable Remainder Unitrust	276,338	261,319
Total	<u>\$ 2,315,665</u>	<u>\$ 1,796,244</u>

The General Fundraising line includes the donor-restricted contribution of \$701,478 and \$721,636 as of December 31, 2023 and 2022, respectively, relating to the City of Minneapolis interest free loan. See Note 4 for more details.

Net assets with donor restrictions released from restriction related to the following programs for the years ended December 31:

	2023	2022
Ending Homelessness	\$ 279,945	\$ 513,491
Career Education	402,260	165,240
Chemical and Mental Health	260,103	80,001
General Fundraising	20,158	19,417
Time Restricted	-	156,000
Employment Program	4,118	-
Total	<u>\$ 966,584</u>	<u>\$ 934,149</u>

NOTE 7 PROGRAM FEE FOR SERVICE CONTRACT REVENUE

The Organization's program fee for services revenue is recognized over time according to the timing of transfer of services and is all from third-party payors. The total program fee for services revenue recognized for the years ended December 31, 2023, 2022 and 2021 was \$9,856,284, \$11,939,768, and \$13,174,497, respectively.

There is no contract revenue that is recognized at point in time.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS

The organization received the following significant in-kind contributions of time and other nonfinancial assets related to program operations, general and administrative activities and fundraising activities and campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. The organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the contributions. The resulting amounts were further subdivided into program support, general and administrative and fundraising activities per the organization management staff.

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

Contributed Nonfinancial Assets	2023	2022
Assistance Provided to Individuals	\$ 705,867	\$ -
Professional Fees	689	-
Buildings & Leasehold Improvements	305,379	-
Total	<u>\$ 1,011,935</u>	<u>\$ -</u>

Assistance provided to individuals consists of supplies and materials for the career education/employment services program. It also consists of advertising and space rentals for fundraising activities. Professional fees consists of volunteer hours for a fundraising event. Buildings & leasehold improvements consists of construction costs for building renovations for buildings associated with the Treatment and Recovery program.

NOTE 9 CONTRACT ASSETS

The Organization's contract assets consist of:

	2023	2022	2021
Accounts Receivable:			
Program Fee for Service -			
Third Party Payor	\$ 1,035,519	\$ 2,108,233	\$ 1,477,111
Accounts Receivables:			
(Nonexchange Transactions)	3,647,893	2,431,252	1,909,736
Total Accounts Receivables	<u>\$ 4,683,412</u>	<u>\$ 4,539,485</u>	<u>\$ 3,386,847</u>

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 EMPLOYEE RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan for employees. Employees are allowed to make voluntary contributions immediately after six months of employment. The Organization has the ability to make discretionary matches to the 401(k) but did not make discretionary contributions for the years ended December 31, 2023 and 2022. Additionally, the Organization makes an annual 3.5% nondiscretionary safe harbor payment. The total expense for the years ended December 31, 2023 and 2022 was \$408,151 and \$410,143, respectively.

NOTE 11 CONTINGENCIES

In the normal course of business, the Organization has claims made against it. As of December 31, 2023, the amount and likelihood of loss is not determined. The Organization believes these claims are without merit and intends to vigorously defend the matters.

NOTE 12 LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and Cash Equivalents	\$ 1,465,147	\$ 2,845,736
Less: Restricted for		
Debt Service	(575,848)	(564,900)
Less: Restricted for Purpose	<u>(2,039,328)</u>	<u>(1,534,925)</u>
Cash and Cash Equivalents		
Available Within Year	\$ (1,150,029)	\$ 745,911
Accounts Receivable	4,683,412	4,539,485
Pledges Receivable	<u>474,002</u>	<u>395,652</u>
Less: Restricted for Purpose		
Pledges Receivable		
Available Within Year	<u>-</u>	<u>-</u>
Total	<u><u>\$ 4,007,385</u></u>	<u><u>\$ 5,681,048</u></u>

As more fully described in Note 4, the Organization also has committed lines of credit in the amount of \$1,000,000, which it could draw upon in the event of an unanticipated liquidity need. The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 ACCOUNTS RECEIVABLE, NET AND ALLOWANCE FOR CREDIT LOSSES

Accounts receivable, net on the accompanying consolidated balance sheets consisted of the following at December 31:

	2023	2022
Program Receivable	\$ 985,773	\$ 2,357,995
Less: Allowance for Credit Losses	(157,209)	(261,825)
Program Receivable, Net	<u>\$ 828,564</u>	<u>\$ 2,096,170</u>

The following is a schedule of the allowance for credit losses for accounts received and the related activity presented under ASC 326, *Measurement of Credit Losses on Financial Instruments*, for the year ended December 31, 2023:

Beginning Balance	\$ 261,825
Provision for Credit Losses	(175,295)
Write-offs	70,679
Ending Balance	<u>\$ 157,209</u>



**INDEPENDENT AUDITORS' 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
Avivo and Subsidiaries
Minneapolis, 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 consolidated financial statements of Avivo and Subsidiaries, as of and for the year ended December 31, 2023, and the related notes to the consolidated financial statements, which collectively comprise the Avivo and Subsidiaries' basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avivo and Subsidiaries'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 Avivo and Subsidiaries's internal control. Accordingly, we do not express an opinion on the effectiveness of Avivo and Subsidiaries'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avivo and Subsidiaries'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 28, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL
OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Avivo and Subsidiaries
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Avivo and Subsidiaries' 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 Avivo and Subsidiaries' major federal programs for the year ended December 31, 2023. Avivo and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Avivo and Subsidiaries complied, in all material respects, with the 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Avivo and Subsidiaries 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 Avivo and Subsidiaries'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 Avivo and Subsidiaries' federal programs.

Auditors' 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 Avivo and Subsidiaries'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 GAAS, *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 Avivo and Subsidiaries's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Avivo and Subsidiaries'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 Avivo and Subsidiaries'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 Avivo and Subsidiaries'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.

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 Auditors' 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Avivo and Subsidiaries as of and for the year ended December 31, 2023, and have issued our report thereon dated May 28, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 28, 2024

AVIVO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identification Number	Expenditures
Department of Housing and Urban Development Programs:			
Continuum of Care Program	14.267	MN0026L5K002114	\$ 437,172
Continuum of Care Program	14.267	MN0026L5K002215	393,226
Continuum of Care Program	14.267	MN0277L5K012109	203,873
Continuum of Care Program	14.267	MN0027L5K002215	151,268
Continuum of Care Program	14.267	MN0194L5K032213	112,033
Continuum of Care Program:			
Pass-Through Programs from:			
Beacon Interfaith Housing Collaborative	14.267	MN00165L5K002104	133,491
Beacon Interfaith Housing Collaborative	14.267	33050	30,128
Pass-through Programs from:			
Hearth Connection:			
Continuum of Care Program	14.267	MN0001L5K002109	503,552
Continuum of Care Program	14.267	MN0001L5K002210	168,583
Continuum of Care Program	14.267	MN0450L5K002102	25,331
Continuum of Care Program	14.267	MN0450L5K002203	9,687
Continuum of Care Program	14.267	MN0045L5K012114	41,894
Continuum of Care Program	14.267	MN0045L5K012215	17,787
Continuum of Care Program	14.267	MN0073L5K032114	333
Continuum of Care Program	14.267	MN0073L5K032215	5,429
Total Continuum of Care Program			<u>2,233,787</u>
Community Development Block Grant/Entitlement Grant:			
Pass-Through Programs from:			
City of Minneapolis:			
Community Development Block Grant/Entitlement Grant	14.218	C40462-G501	59,791
Community Development Block Grant/Entitlement Grant	14.218	COM0007185	95,000
Community Development Block Grant/Entitlement Grant	14.218	COM3271-EE601	46,878
Total Community Development Block Grant/Entitlement Grant			<u>201,669</u>
Emergency Solutions Grant Program			
Pass-Through Programs from:			
City of Minneapolis:			
Emergency Solutions Grant Program	14.231	HS00001260	134,133
Emergency Solutions Grant Program	14.231	HS00000974	51,947
Total Emergency Solutions Grant Program			<u>186,080</u>
Total Department of Housing and Urban Development Programs			2,621,536
Department of Agriculture:			
Pass-Through Programs from:			
Stearns County:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	13505-2022-23	4,950
Supplemental Nutrition Assistance Program	10.561	13505-2023-24	1,282
Total Department of Agriculture/			
Total State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program			<u>6,232</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

AVIVO AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identification Number	Expenditures
Department of Labor:			
Workforce Innovation and Opportunity Act Cluster:			
Pass-Through Programs from:			
City of Minneapolis:			
WIOA Youth Activities	17.259	C-40462-EB2	33,734
WIOA Youth Activities	17.259	C-40462-ED2	345,144
WIOA Youth Activities	17.259	C-40462-EF1	12,712
Total WIOA Youth Activities			391,590
Hennepin County			
WIOA Adult Program	17.258	COM3271_EF1	80,316
WIOA Adult Program	17.258	1093100	181,162
WIOA Adult Program	17.258	2093100	285,764
Total WIOA Adult Program			547,242
WIOA Dislocated Worker Formula Grants	17.278	2098000	71,292
Total WIOA Dislocated Worker Formula Grants			71,292
Total Workforce Innovation and Opportunity Act Cluster			1,010,124
Community Project Funding/Congressionally Directed Spending	17.289	22700-2023	153,238
Total Department of Labor			1,163,362
Department of Health and Human Services:			
Substance Abuse and Mental Health Services:			
Treatment Based Reentry Continuum - SAMHSA	93.243	H79TI0080845	283,326
Total Substance Abuse and Mental Health Services			283,326
Temporary Assistance for Needy Families Cluster:			
Pass-Through Programs from:			
Ramsey County:			
Temporary Assistance for Needy Families - MFIP	93.558	1601MNTANF	852,418
Stearns County			
Temporary Assistance for Needy Families - MFIP	93.558	2201MNTANF	1,430,494
Benton County			
Temporary Assistance for Needy Families - MFIP	93.558	1502MNTANF	411,179
Shermorne County			
Temporary Assistance for Needy Families - MFIP	93.558	13530-2023	349,394
Lutheran Social Services of Minnesota	93.558	13520-2022-23	125,163
Lutheran Social Services of Minnesota	93.558	13520-2023-24	22,079
Total Temporary Assistance for Needy Families Cluster			3,190,727
Block Grants for Prevention and Treatment of Substance Abuse:			
State of Minnesota Department of Human Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	114565	742,605
Block Grants for Prevention and Treatment of Substance Abuse	93.959	114565	673,841
Block Grants for Prevention and Treatment of Substance Abuse	93.959	144812	139,857
Total Block Grants for Prevention and Treatment of Substance Abuse			1,556,303
Block Grants for Community Mental Health Services:			
State of Minnesota Department of Human Services:			
Block Grants for Community Mental Health Services:	93.958	144812	46,153
Total Department of Health and Human Services			5,076,509
U.S. Department of Treasury			
Pass-Through Programs from:			
City of Minneapolis			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	OMC3271-EEO	86,115
Hennepin County			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	HS00000974	580,354
Total Department of Treasury			666,469
Total Federal Awards Expended			\$ 9,534,108

AVIVO AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award 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 requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the 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 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

The Organization did not have any subrecipients in 2023.

AVIVO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
17.259/17.258/17.278	Workforce Innovation and Opportunity Act Program Cluster
93.558	Temporary Assistance for Needy Families Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

1. Auditee qualified as low-risk auditee? _____ yes x no

AVIVO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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