

AVIVO AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023



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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, 2024 and 2023, 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, 2024 and 2023, 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). 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 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, 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.

Board of Directors
Avivo and Subsidiaries

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 7, 2025

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,115,812	\$ 1,465,147
Grants Receivable	3,056,338	3,854,848
Program Receivable	834,202	985,773
Less: Allowance for Credit Losses	<u>(140,596)</u>	<u>(157,209)</u>
Program Receivable, Net	693,606	828,564
Pledges Receivable	294,450	474,002
Prepaid Expenses	<u>1,119,368</u>	<u>1,004,475</u>
Total Current Assets	7,279,574	7,627,036
OTHER ASSETS		
Charitable Remainder Unitrust	335,660	276,337
Unemployment Trust	30,892	102,202
Right of Use Asset - Operating	3,279,480	4,101,024
Property and Equipment, Net	<u>12,034,709</u>	<u>12,112,577</u>
Total Other Assets	<u>15,680,741</u>	<u>16,592,140</u>
Total Assets	<u><u>\$ 22,960,315</u></u>	<u><u>\$ 24,219,176</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,018,446	\$ 292,299
Accrued Expenses	2,169,890	2,214,874
Notes Payable - Current	435,170	807,574
Lease Liability - Current Operating	831,168	835,869
Refundable Advances	32,493	12,666
Deferred Revenue	<u>95,051</u>	<u>30,000</u>
Total Current Liabilities	4,582,218	4,193,282
LONG-TERM LIABILITIES		
Notes Payable - Long-Term	8,184,099	8,567,900
Lease Liability - Long-Term Operating	<u>2,527,111</u>	<u>3,355,537</u>
Total Long-Term Liabilities	<u>10,711,210</u>	<u>11,923,437</u>
Total Liabilities	15,293,428	16,116,719
NET ASSETS		
Without Donor Restrictions	5,586,122	5,786,792
With Donor Restrictions	<u>2,080,765</u>	<u>2,315,665</u>
Total Net Assets	<u>7,666,887</u>	<u>8,102,457</u>
Total Liabilities and Net Assets	<u><u>\$ 22,960,315</u></u>	<u><u>\$ 24,219,176</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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government Contracts	\$ 26,990,827	\$ -	\$ 26,990,827	\$ 23,237,846	\$ -	\$ 23,237,846
Program Service Fees	11,121,773	-	11,121,773	9,110,612	745,672	9,856,284
Contributions	1,259,803	556,951	1,816,754	1,807,608	584,614	2,392,222
In Kind Revenue	878,293	-	878,293	1,011,935	-	1,011,935
United Way	143,525	143,525	287,050	140,700	140,700	281,400
Change in Value of Trust	-	59,323	59,323	-	15,019	15,019
Interest Income	11,409	-	11,409	11,903	-	11,903
Gain on Disposal of Property and Equipment	-	-	-	348,441	-	348,441
Miscellaneous	1,902	-	1,902	338,240	-	338,240
Net Assets Released from Restriction	994,699	(994,699)	-	966,584	(966,584)	-
Total Support and Revenue	41,402,231	(234,900)	41,167,331	36,973,869	519,421	37,493,290
EXPENSES						
Program Services:						
Career Education/Employment Services	11,342,172	-	11,342,172	9,401,026	-	9,401,026
Ending Homelessness	6,288,637	-	6,288,637	7,057,352	-	7,057,352
Avivo Roots Consulting	5,558	-	5,558	-	-	-
Chemical and Mental Health	17,659,838	-	17,659,838	17,219,245	-	17,219,245
Total Program Services	35,296,205	-	35,296,205	33,677,623	-	33,677,623
Support Services:						
Management and General	5,451,864	-	5,451,864	4,516,266	-	4,516,266
Fundraising	854,832	-	854,832	1,489,686	-	1,489,686
Total Support Services	6,306,696	-	6,306,696	6,005,952	-	6,005,952
Total Expenses	41,602,901	-	41,602,901	39,683,575	-	39,683,575
CHANGE IN NET ASSETS	(200,670)	(234,900)	(435,570)	(2,709,706)	519,421	(2,190,285)
Net Assets - Beginning of Year	5,786,792	2,315,665	8,102,457	8,496,498	1,796,244	10,292,742
NET ASSETS - END OF YEAR	<u>\$ 5,586,122</u>	<u>\$ 2,080,765</u>	<u>\$ 7,666,887</u>	<u>\$ 5,786,792</u>	<u>\$ 2,315,665</u>	<u>\$ 8,102,457</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services					Support Services			
	Career Education/ Employment Services	Ending Homelessness	Chemical and Mental Health	Avivo Roots Consulting	Total Program Services	Management and General	Fundraising	Total Support Services	Total All Services
Salaries	\$ 6,099,401	\$ 4,489,021	\$ 5,960,040	\$ 5,053	\$ 16,553,515	\$ 2,319,246	\$ 461,686	\$ 2,780,932	\$ 19,334,447
Payroll Taxes	444,836	328,146	435,819	-	1,208,801	146,250	39,434	185,684	1,394,485
Employee Benefits	716,207	482,243	520,699	-	1,719,149	428,735	61,736	490,471	2,209,620
Total Personnel Costs	7,260,444	5,299,410	6,916,558	5,053	19,481,465	2,894,231	562,856	3,457,087	22,938,552
Assistance Provided to									
Individuals	2,322,883	49,436	5,656,694	-	8,029,013	-	42,872	42,872	8,071,885
Professional Fees	523,079	251,570	735,561	58	1,510,268	274,589	31,645	306,234	1,816,502
Occupancy	615,209	254,352	2,375,856	265	3,245,682	1,166,091	24,041	1,190,132	4,435,814
Supplies	210,552	110,968	903,227	45	1,224,792	90,114	41,254	131,368	1,356,160
Technology and Communication	102,348	64,772	93,516	48	260,684	24,860	6,138	30,998	291,682
Postage and Shipping	20,265	3,745	4,602	4	28,616	8,877	1,467	10,344	38,960
Printing and Publications	958	3,038	3,057	-	7,053	26,409	2,008	28,417	35,470
Local Transportation	44,614	59,982	59,831	-	164,427	2,009	70	2,079	166,506
Conferences and Meetings	7,038	16,064	11,136	-	34,238	45,006	83,833	128,839	163,077
Equipment	93,523	43,219	87,243	-	223,985	17,327	1,951	19,278	243,263
Depreciation	68,892	38,413	483,657	-	590,962	166,700	3,951	170,651	761,613
Insurance	15,641	16,548	14,959	43	47,191	318,708	1,159	319,867	367,058
Membership Dues	3,437	37,383	204	13	41,037	15,490	16	15,506	56,543
Bad Debt Expense	-	-	-	-	-	253,558	-	253,558	253,558
Other Expense	22,500	17,077	25,338	3	64,918	74,926	49,240	124,166	189,084
Interest	30,789	22,660	288,399	26	341,874	72,969	2,331	75,300	417,174
Total Expenses	<u>\$ 11,342,172</u>	<u>\$ 6,288,637</u>	<u>\$ 17,659,838</u>	<u>\$ 5,558</u>	<u>\$ 35,296,205</u>	<u>\$ 5,451,864</u>	<u>\$ 854,832</u>	<u>\$ 6,306,696</u>	<u>\$ 41,602,901</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
Interest Expense	102,532	72,394	127,887	302,813	38,251	8,127	46,378	349,191
Technology and Communication	16,024	3,060	3,826	22,910	4,979	1,163	6,142	29,052
Postage and Shipping	2,581	382	544	3,507	41,904	4,656	46,560	50,067
Printing and Publications	32,673	60,499	49,386	142,558	1,239	79	1,318	143,876
Local Transportation	10,037	58,506	23,268	91,811	47,060	70,571	117,631	209,442
Conferences and Meetings	83,657	68,190	98,078	249,925	48,511	5,602	54,113	304,038
Equipment	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
Bad Debt Expense	-	-	-	-	183,262	-	183,262	183,262
Depreciation	16,697	27,554	61,168	105,419	3,766	6,132	9,898	115,317
Other Expense	24,531	21,322	292,722	338,575	36,837	2,468	39,305	377,880
Total Expenses	<u>\$ 9,401,026</u>	<u>\$ 7,057,352</u>	<u>\$ 17,219,245</u>	<u>\$ 33,677,623</u>	<u>\$ 4,516,266</u>	<u>\$ 1,489,686</u>	<u>\$ 6,005,952</u>	<u>\$ 39,683,575</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (435,570)	\$ (2,190,285)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Operating Lease Amortization	945,594	1,113,588
Amortization of Debt Issuance Costs	35,418	-
Change in Value of Charitable Remainder Unitrust	(59,323)	(15,018)
Change in Value of Unemployment Trust	71,310	139,749
Gain on Disposal of Fixed Assets	-	(348,441)
Depreciation	761,613	877,415
Bad Debt Expense	253,558	183,262
Increase in Current Assets:		
Accounts and Grant Receivable	679,910	(327,189)
Pledges Receivable	179,552	(78,350)
Prepaid Expenses	(114,893)	(28,343)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	726,147	(370,998)
Accrued Expenses	(44,984)	658,335
Lease Liability	(957,177)	(1,083,013)
Refundable Advances	19,827	(9,623)
Deferred Revenue	65,051	30,000
Net Cash Provided (Used) by Operating Activities	<u>2,126,033</u>	<u>(1,448,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(683,745)	(708,024)
Proceeds from Disposal of Property Plant and Equipment	-	734,482
Net Cash Provided (Used) by Investing Activities	<u>(683,745)</u>	<u>26,458</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	401,000
Principal Payments on Debt	(791,623)	(359,136)
Net Cash Provided (Used) by Financing Activities	<u>(791,623)</u>	<u>41,864</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	650,665	(1,380,589)
Cash and Cash Equivalents - Beginning of Year	<u>1,465,147</u>	<u>2,845,736</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,115,812</u></u>	<u><u>\$ 1,465,147</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 405,199</u>	<u>\$ 377,881</u>
Noncash Right of Use Asset (See Note 5)	<u>\$ 37,267</u>	<u>\$ 977,295</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 2024 AND 2023

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, 2024 are expected to be received through 2025 and 2026.

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.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

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. If the funds are received before the eligible expenditures become due, they are shown as deferred Revenue. As of December 31, 2024 and 2023, respectively, there were no deferred revenue relating to government contracts. 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 \$6,901,051 that have not been recognized at December 31, 2024 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.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$335,660 and \$276,337 at December 31, 2024 and 2023, 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:

	2024	2023
Balance - Beginning of Year	\$ 276,337	\$ 261,319
Change in Fair Value of Trust	59,323	15,018
Balance - End of Year	<u>\$ 335,660</u>	<u>\$ 276,337</u>

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

For comparative purposes, certain amounts from December 31, 2023, have been reclassified to correspond with the December 31, 2024, financial statement presentation.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 7, 2025, 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 for both the years ended December 31, 2024 and 2023.

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

At various times during 2024 and 2023, 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:

	2024	2023
Land	\$ 976,400	\$ 976,400
Buildings and Leasehold Improvements	17,484,939	17,074,726
Equipment and Furniture	2,481,564	2,459,698
Construction in Progress	421,860	170,193
Total	21,364,763	20,681,017
Less: Accumulated Depreciation/Amortization	(9,330,054)	(8,568,440)
Property and Equipment, Net	<u>\$ 12,034,709</u>	<u>\$ 12,112,577</u>

Depreciation expense was \$761,613 and \$877,415 for the years ended December 31, 2024 and 2023, respectively.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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>2024</u>	<u>2023</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.	\$ 2,478,926	\$ 2,691,427
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.	1,351,818	1,423,336
Loan issued by the City of Minneapolis including interest of 3.75%. Payment of all principal and interest due 2045.	569,449	548,522
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.	4,116,375	4,207,346
Loan issued by the Greater Minnesota Housing Fund, monthly amounts including interest of 3.75%. Last and all remaining principal and interest due 2035.	343,980	364,515
Line of Credit issued by Bremer Bank. Maximum principal amount of \$1,000,000 maturing August 24, 2024	-	401,000
Total	8,860,548	9,636,146
Less: Portion Due Within One Year	(435,170)	(807,574)
Less: Unamortized Issuance Costs, Net	(241,279)	(260,672)
Long-Term Portion	<u>\$ 8,184,099</u>	<u>\$ 8,567,900</u>

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

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 NOTES PAYABLE (CONTINUED)

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 \$569,449 and \$548,522 as of December 31, 2024 and 2023, respectively, and the remaining is considered a donor-restricted contribution of \$680,551 and \$701,478 on the consolidated statements of activities as of December 31, 2024 and 2023, respectively.

Future principal payment amounts include payment due for debt outstanding at December 31, 2024, and amounts due under the expected refinancing. Principal payments required are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 435,170
2026	436,143
2027	451,544
2028	467,223
2029	484,021
Thereafter	6,589,298
Total	<u><u>\$ 8,860,548</u></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, which expired on July 31, 2023, was subsequently renewed with a maturity date of August 24, 2024. As of December 31, 2024 and 2023, the outstanding borrowings on the note were \$-0- and \$401,000, respectively. The note was fully repaid during 2024. Subsequent to year-end, effective February 24, 2025, the Organization entered into a new promissory note for \$1,000,000 with an interest rate of 7.5% and maturity date of February 24, 2027.

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.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LEASES (CONTINUED)

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

	<u>2024</u>	<u>2023</u>
Right of Use Assets:		
Operating Leases, Net	\$ 3,279,480	\$ 4,101,024
Lease Liabilities:		
Current:		
Operating Leases	\$ 831,168	\$ 835,869
Noncurrent:		
Operating Leases	\$ 2,527,111	\$ 3,355,537

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

Lease Cost:	<u>2024</u>	<u>2023</u>
Operating Lease Cost	\$ 956,188	\$ 1,064,850
Other Information:		
Operating Cash Flows from Operating Leases	\$ -	\$ -
Right of Use Assets Obtained in Exchange for New Operating Lease Liability	\$ 37,267	\$ 977,295
Weighted Average Remaining Lease Term - Finance Leases	N/A	N/A
Weighted Average Remaining Lease Term - Operating Leases	4.7 Years	4.7 Years
Weighted Average Discount Rate - Operating Leases	3.2 %	3.1 %

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2024 is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2025	\$ 831,168
2026	818,875
2027	626,997
2028	473,750
2029	400,262
Thereafter	207,227
Total	3,358,279
Less: Imputed Interest	-
Lease Liability	<u>\$ 3,358,279</u>

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Ending Homelessness	\$ 503,961	\$ 121,486
Career Education	335,653	483,862
Chemical and Mental Health	10,000	554,297
General Fundraising	736,926	723,148
Time Restricted	146,400	140,652
Employment Program	12,164	15,882
Charitable Remainder Unitrust	335,661	276,338
Total	<u>\$ 2,080,765</u>	<u>\$ 2,315,665</u>

The General Fundraising line includes the donor-restricted contribution of \$680,551 and \$701,478 as of December 31, 2024 and 2023, 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:

	2024	2023
Ending Homelessness	\$ 634,643	\$ 279,945
Career Education	119,417	402,260
Chemical and Mental Health	36,047	260,103
General Fundraising	60,222	20,158
Time Restricted	140,652	-
Employment Program	3,718	4,118
Total	<u>\$ 994,699</u>	<u>\$ 966,584</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, 2024, 2023 and 2022 was \$11,121,773, and \$9,856,284, \$11,939,768, respectively.

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

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 fair market value of services is determined by the corresponding hourly rate for service provided. The fair market value of building and leasehold improvements is determined by the cost of the property, plant, and equipment provided. All contributed nonfinancial assets are unrestricted at both December 31, 2024 and 2023. 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	2024	2023
Assistance Provided to Individuals	\$ 868,393	\$ 705,867
Professional Fees	9,900	689
Buildings and Leasehold Improvements	-	305,379
Total	<u>\$ 878,293</u>	<u>\$ 1,011,935</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 and leasehold improvements consists of construction costs for building renovations for buildings associated with the Treatment and Recovery program.

NOTE 9 THIRD PARTY PAYOR CONTRACT ASSETS

The Organization's contract assets consist of:

	2024	2023	2022
Accounts Receivable:			
Program Fee for Service -			
Third Party Payor	\$ 794,907	\$ 1,035,519	\$ 2,108,233
Accounts Receivables:			
(Nonexchange Transactions)	2,955,037	3,647,893	2,431,252
Total Accounts Receivables	<u>\$ 3,749,944</u>	<u>\$ 4,683,412</u>	<u>\$ 4,539,485</u>

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 2024 and 2023. Additionally, the Organization makes an annual 3.5% nondiscretionary safe harbor payment. The total expense for the years ended December 31, 2024 and 2023 was \$253,519 and \$408,151, respectively.

NOTE 11 CONTINGENCIES

In the normal course of business, the Organization has claims made against it. As of December 31, 2024, 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:

	2024	2023
Cash and Cash Equivalents	\$ 2,115,812	\$ 1,465,147
Less: Restricted for		
Debt Service	(587,256)	(575,848)
Less: Restricted for Purpose	<u>(1,745,105)</u>	<u>(2,039,328)</u>
Cash and Cash Equivalents		
Available Within Year	\$ (216,549)	\$ (1,150,029)
Accounts Receivable	3,749,944	4,683,412
Pledges Receivable	<u>294,450</u>	<u>474,002</u>
Less: Restricted for Purpose	<u>-</u>	<u>-</u>
Pledges Receivable		
Available Within Year	<u>-</u>	<u>-</u>
Total	<u><u>\$ 3,827,845</u></u>	<u><u>\$ 4,007,385</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, 2024 AND 2023

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:

	2024	2023
Program Receivable	\$ 834,202	\$ 985,773
Less: Allowance for Credit Losses	(140,596)	(157,209)
Program Receivable, Net	<u>\$ 693,606</u>	<u>\$ 828,564</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, 2024:

Beginning Balance	\$ 157,209
Provision for Credit Losses	(16,613)
Write-offs	-
Ending Balance	<u>\$ 140,596</u>

