

AVIVO AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT COMPLIANCE REPORTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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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, 2021 and 2020, 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, 2021 and 2020, and the results of their operations 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.

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 March 23, 2022, 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
March 23, 2022

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,389,050	\$ 6,756,559
Accounts Receivable (Less Allowance for Doubtful Accounts of \$148,003 in 2021 and \$166,960 in 2020)	3,386,847	4,199,555
Pledges Receivable	366,000	166,744
Prepaid Expenses	967,880	928,196
Total Current Assets	10,109,777	12,051,054
OTHER ASSETS		
Charitable Remainder Unitrust	337,583	317,314
Unemployment Trust	454,247	73,191
Right of Use Asset - Operating	3,297,821	4,297,453
Property and Equipment, Net	13,874,173	13,434,583
Total Other Assets	17,963,824	18,122,541
Total Assets	\$ 28,073,601	\$ 30,173,595
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 288,041	\$ 433,293
Accrued Expense	2,077,085	3,114,031
Notes Payable - Current	379,735	360,491
Lease Liability - Current Operating	922,745	1,019,291
Refundable Advances	14,280	64,716
Deferred Revenue	-	254,979
Total Current Liabilities	3,681,886	5,246,801
LONG-TERM LIABILITIES		
Notes Payable - Long-Term	9,297,844	12,857,392
Lease Liability - Long-Term Operating	2,375,076	3,282,897
Asset Retirement Obligation	-	124,475
Total Long-Term Liabilities	11,672,920	16,264,764
Total Liabilities	15,354,806	21,511,565
NET ASSETS		
Without Donor Restrictions	10,558,490	6,360,317
With Donor Restrictions	2,160,305	2,301,713
Total Net Assets	12,718,795	8,662,030
Total Liabilities and Net Assets	\$ 28,073,601	\$ 30,173,595

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government Contracts	\$ 20,754,328	\$ -	\$ 20,754,328	\$ 20,489,849	\$ -	\$ 20,489,849
Program Service Fees	13,174,497	-	13,174,497	11,597,055	-	11,597,055
Contributions (Including In-Kinds of \$2,060 and \$69,028 in 2021 and 2020, Respectively)	806,586	1,131,500	1,938,086	1,184,640	2,236,986	3,421,626
United Way	156,000	156,000	312,000	173,000	156,000	329,000
Paycheck Protection Program Loan Forgiveness	3,198,857	-	3,198,857	-	-	-
Change in Value of Trust	-	20,269	20,269	-	6,877	6,877
Interest Income	5,121	-	5,121	3,426	-	3,426
(Loss) Gain on Disposal of Property and Equipment	13,990	-	13,990	(72,432)	-	(72,432)
Miscellaneous	203,817	-	203,817	47,866	-	47,866
Net Assets Released from Restriction	1,449,177	(1,449,177)	-	1,006,910	(1,006,910)	-
Total Support and Revenue	<u>39,762,373</u>	<u>(141,408)</u>	<u>39,620,965</u>	<u>34,430,314</u>	<u>1,392,953</u>	<u>35,823,267</u>
EXPENSE						
Program Services:						
Career Education/Employment Services	7,474,576	-	7,474,576	7,998,129	-	7,998,129
Ending Homelessness	15,715,391	-	15,715,391	11,559,410	-	11,559,410
Chemical and Mental Health	8,525,669	-	8,525,669	8,505,507	-	8,505,507
Total Program Services	<u>31,715,636</u>	<u>-</u>	<u>31,715,636</u>	<u>28,063,046</u>	<u>-</u>	<u>28,063,046</u>
Support Services:						
Management and General	3,151,192	-	3,151,192	2,808,749	-	2,808,749
Fundraising	697,372	-	697,372	478,942	-	478,942
Total Support Services	<u>3,848,564</u>	<u>-</u>	<u>3,848,564</u>	<u>3,287,691</u>	<u>-</u>	<u>3,287,691</u>
Total Expense	<u>35,564,200</u>	<u>-</u>	<u>35,564,200</u>	<u>31,350,737</u>	<u>-</u>	<u>31,350,737</u>
CHANGE IN NET ASSETS	4,198,173	(141,408)	4,056,765	3,079,577	1,392,953	4,472,530
Net Assets - Beginning of Year	<u>6,360,317</u>	<u>2,301,713</u>	<u>8,662,030</u>	<u>3,280,740</u>	<u>908,760</u>	<u>4,189,500</u>
NET ASSETS - END OF YEAR	<u>\$ 10,558,490</u>	<u>\$ 2,160,305</u>	<u>\$ 12,718,795</u>	<u>\$ 6,360,317</u>	<u>\$ 2,301,713</u>	<u>\$ 8,662,030</u>

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2021

	Program Services				Support Services			Total All Services
	Career Education/ Employment Services	Ending Homelessness	Chemical and Mental Health	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 4,705,277	\$ 5,612,792	\$ 5,696,562	\$ 16,014,631	\$ 1,928,381	\$ 271,662	\$ 2,200,043	\$ 18,214,674
Payroll Taxes	305,724	368,074	370,394	1,044,192	119,523	18,239	137,762	1,181,954
Employee Benefits	587,813	550,525	637,809	1,776,147	225,697	21,305	247,002	2,023,149
Total Personnel Costs	5,598,814	6,531,391	6,704,765	18,834,970	2,273,601	311,206	2,584,807	21,419,777
Assistance Provided to								
Individuals	811,376	4,085,467	186,625	5,083,468	61	301	362	5,083,830
Professional Fees	85,416	199,567	319,590	604,573	185,585	316,459	502,044	1,106,617
Occupancy	483,660	2,494,602	461,525	3,439,787	147,296	21,126	168,422	3,608,209
Supplies	90,592	606,439	250,262	947,293	74,291	11,716	86,007	1,033,300
Interest Expense	24,290	320,703	27,458	372,451	2,961	2,112	5,073	377,524
Technology and Communication	87,260	87,641	73,697	248,598	34,686	3,115	37,801	286,399
Postage and Shipping	18,425	2,617	2,139	23,181	7,640	235	7,875	31,056
Printing and Publications	83	4,187	5,905	10,175	18,209	331	18,540	28,715
Local Transportation	17,862	51,277	33,813	102,952	1,093	6	1,099	104,051
Conferences and Meetings	16,877	26,541	35,882	79,300	51,674	15,929	67,603	146,903
Equipment	102,121	182,038	127,189	411,348	36,708	4,716	41,424	452,772
Insurance	29,124	57,131	34,814	121,069	69,137	2,232	71,369	192,438
Membership Dues	509	-	2,890	3,399	43,569	370	43,939	47,338
Uncollectible Accounts	-	175,609	202,097	377,706	-	-	-	377,706
Depreciation	96,988	850,696	45,269	992,953	178,756	2,232	180,988	1,173,941
Other Expense	11,179	39,485	11,749	62,413	25,925	5,286	31,211	93,624
Total Expense	\$ 7,474,576	\$ 15,715,391	\$ 8,525,669	\$ 31,715,636	\$ 3,151,192	\$ 697,372	\$ 3,848,564	\$ 35,564,200

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2020

	Program Services				Support Services			Total All Services
	Career Education/ Employment Services	Ending Homelessness	Chemical and Mental Health	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 4,751,286	\$ 3,653,916	\$ 5,428,660	\$ 13,833,862	\$ 1,632,246	\$ 288,353	\$ 1,920,599	\$ 15,754,461
Payroll Taxes	424,158	337,808	498,638	1,260,604	145,395	27,011	172,406	1,433,010
Employee Benefits	542,169	356,541	550,032	1,448,742	157,622	17,747	175,369	1,624,111
Total Personnel Costs	5,717,613	4,348,265	6,477,330	16,543,208	1,935,263	333,111	2,268,374	18,811,582
Assistance Provided to								
Individuals	998,397	4,751,494	194,088	5,943,979	-	679	679	5,944,658
Professional Fees	189,753	65,005	323,179	577,937	268,206	45,219	313,425	891,362
Occupancy	571,011	1,457,066	545,053	2,573,130	136,243	23,767	160,010	2,733,140
Supplies	117,745	205,052	275,156	597,953	102,705	14,981	117,686	715,639
Interest Expense	26,101	112,771	28,007	166,879	10,709	1,981	12,690	179,569
Technology and Communication	47,115	55,465	68,769	171,349	32,462	1,940	34,402	205,751
Postage and Shipping	19,821	6,310	9,389	35,520	8,068	272	8,340	43,860
Printing and Publications	1,642	1,895	9,657	13,194	16,639	849	17,488	30,682
Local Transportation	24,733	43,822	41,812	110,367	760	26	786	111,153
Conferences and Meetings	12,399	22,861	21,484	56,744	20,074	38,796	58,870	115,614
Equipment	88,979	115,459	178,476	382,914	60,424	2,980	63,404	446,318
Insurance	21,024	31,996	25,621	78,641	42,961	1,282	44,243	122,884
Membership Dues	4,471	1,825	14,204	20,500	76,231	110	76,341	96,841
Uncollectible Accounts	2,500	118,883	143,764	265,147	-	-	-	265,147
Depreciation	154,664	219,623	127,536	501,823	63,886	5,826	69,712	571,535
Other Expense	161	1,618	21,982	23,761	34,118	7,123	41,241	65,002
Total Expense	\$ 7,998,129	\$ 11,559,410	\$ 8,505,507	\$ 28,063,046	\$ 2,808,749	\$ 478,942	\$ 3,287,691	\$ 31,350,737

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,056,765	\$ 4,472,530
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Donated Property and Equipment	-	(50,900)
Paycheck Protection Program Loan Forgiveness	(3,198,857)	-
Principal Payments on Operating Leases	(1,023,115)	(746,683)
Operating Lease Amortization	1,018,380	724,904
Change in Value of Charitable Remainder Unitrust	(20,269)	(6,877)
Change in Value of Unemployment Trust	(381,056)	178,792
(Gain) Loss on Disposal of Fixed Assets	(13,990)	72,432
Depreciation	1,173,941	571,535
Environmental Remediation Liabilities	(124,475)	2,504
Uncollectible Accounts	377,706	265,147
(Increase) Decrease in Current Assets:		
Accounts and Grant Receivable	435,002	(2,700,533)
Pledges Receivable	(199,256)	340,256
Prepaid Expense	(39,684)	(444,403)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(145,252)	71,825
Accrued Expenses	(1,036,946)	1,534,590
Refundable Advances	(50,436)	(745)
Deferred Revenue	(254,979)	203,827
Net Cash Provided by Operating Activities	573,479	4,488,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,260,457)	(7,003,856)
Proceeds from Disposal of Property Plant and Equipment	660,916	-
Net Cash Used by Investing Activities	(1,599,541)	(7,003,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Issuance of Debt	-	8,404,889
Principal Payments on Debt	(341,447)	(231,028)
Principal Payments on Finance Leases	-	(215,172)
Net Cash Provided (Used) by Financing Activities	(341,447)	7,958,689
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,367,509)	5,443,034
Cash and Cash Equivalents - Beginning of Year	6,756,559	1,313,525
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,389,050	\$ 6,756,559
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 393,229	\$ 195,274
Noncash Right of Use Asset (See Note 5)	\$ 31,460	\$ 3,321,876
Constructions Costs Incurred Included in Accrued Expenses	\$ -	\$ 1,221,699

See accompanying Notes to Consolidated Financial Statements.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable 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 collectibility. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

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, 2021 are expected to be received through 2022.

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, 2021 AND 2020

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.

Asset Retirement Obligations

During 2020, the Organization owned buildings that contain asbestos floor tiles. At this time, the Organization had no plans to renovate or demolish these buildings. In accordance with standards relating to Accounting for Conditional Asset Retirement Obligations, the Organization accrued a liability for the fair value of future costs to remediate environmental hazards related to certain property. The Organization uses a future value rate assumption of 3% and discounted the estimate to present value using a risk-free rate of return of 3%. The potential environmental remediation liability is reported on the consolidated statements of financial position as an asset retirement obligation in the amount of \$124,475 at December 31, 2020. During 2021, an assessment was done on the building and no asbestos was present and the liability was removed. Therefore, as of December 31, 2021, there is no liability relating to asset retirement obligations.

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 \$4,276,077 that have not been recognized at December 31, 2021 because qualifying expenditures have not yet been incurred.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$337,583 and \$317,314 at December 31, 2021 and 2020, respectively. There are no contributions to the unitrust and the value has changed based on the fair value calculation.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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:

	2021	2020
Balance - Beginning of Year	\$ 317,314	\$ 310,437
Change in Fair Value of Trust	20,269	6,877
Balance - End of Year	\$ 337,583	\$ 317,314

Reclassifications

Certain reclassifications have been made in the 2020 financial statements to conform to classifications use in 2021. There was no effect on net assets previously reported.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 23, 2022, 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

Two donors constituted approximately 26% and 31% of total contributions for the years ended December 31, 2021 and 2020, respectively.

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

At various times during 2021 and 2020, the Organization held funds at a local financial institution in excess of federally insured limits.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 PROPERTY AND EQUIPMENT

The Organization owns the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,098,400	\$ 1,098,400
Buildings and Leasehold Improvements	18,605,937	17,140,386
Equipment and Furniture	2,490,230	2,372,817
Construction in Progress	22,667	-
Total	<u>22,217,234</u>	<u>20,611,603</u>
Less: Accumulated Depreciation/Amortization	<u>(8,343,061)</u>	<u>(7,177,020)</u>
Property and Equipment, Net	<u>\$ 13,874,173</u>	<u>\$ 13,434,583</u>

Depreciation expense was \$1,173,941 and \$571,535 for the years ended December 31, 2021 and 2020, respectively.

NOTE 4 NOTES PAYABLE

During the fiscal year ending December 31, 2020, the Organization received a loan in the amount of \$3,198,857 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, principal and interest payments will be required through the maturity date in April 15, 2022. On June 8, 2021, the PPP Loan, including interest, was forgiven. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Additionally 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.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 NOTES PAYABLE (CONTINUED)

Notes payable consist of the following at December 31:

<u>Description</u>	<u>2021</u>	<u>2020</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.	\$ 3,113,228	\$ 3,314,650
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.	1,558,159	1,621,528
Loan issued by the City of Minneapolis including interest of 3.75%. Payment of all principal and interest due 2045.	509,661	490,244
Loan issued by the Greater Minnesota Housing Fund, monthly amounts including interest of 3.75%. Last payment and all remaining principal and interest due	4,379,359	4,448,000
Loan issued by the Greater Minnesota Housing Fund, monthly amounts including interest of 3.75%. Last and all remaining principal and interest due 2035.	408,645	427,000
PPP Loan - Forgiven on June 8, 2021	-	3,198,857
Total	9,969,052	13,500,279
Less: Portion Due Within One Year	(379,735)	(360,491)
Less: Unamortized Issuance Costs, Net	(291,473)	(282,396)
Long-Term Portion	<u>\$ 9,297,844</u>	<u>\$ 12,857,392</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 \$509,661 and \$490,244 as of December 31, 2021 and 2020, respectively, and the remaining is considered a donor-restricted contribution of \$740,339 and \$759,756 on the consolidated statements of activities as of December 31, 2021 and 2020, respectively.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 NOTES PAYABLE (CONTINUED)

Future principal payment amounts include payment due for debt outstanding at December 31, 2021, and amounts due under the expected refinancing. Principal payments required are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 379,735
2023	393,083
2024	406,545
2025	421,276
2026	436,143
Thereafter	<u>7,932,270</u>
Total	<u>\$ 9,969,052</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, 2021. At December 31, 2021 and 2020, there was \$-0- of borrowings on the note. Subsequent to year-end on February 18, 2022, the loan was renewed with a maturity date of July 31, 2022.

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 2023 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 quantitative information concerning the Organization's leases.

	<u>2021</u>	<u>2020</u>
Lease Cost:		
Operating Lease Cost	\$ 5,464,701	\$ 5,433,241
Amortization of Right-to-Use Asset	<u>(2,166,880)</u>	<u>(1,135,788)</u>
Total Lease Cost	<u>\$ 3,297,821</u>	<u>\$ 4,297,453</u>
Weighted Average Remaining Lease Term - Operating Leases	3.4 Years	3.4 Years
Weighted Average Discount Rate - Operating Leases	3.0 %	3.0 %

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2021 is as follows:

<u>Year Ending December 31.</u>	<u>Operating Leases</u>
2022	\$ 1,007,233
2023	723,533
2024	827,361
2025	606,616
2026	560,673
Thereafter	534,074
Total	<u>4,259,490</u>
Less: PV Discount	<u>(961,669)</u>
Lease Liability	<u><u>\$ 3,297,821</u></u>

As of December 31, 2021, the Organization has an additional operating lease, primarily facility rental, that has not yet commenced of \$525,611. The operating lease will commence in fiscal year 2022 with lease term of 5 years.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Ending Homelessness	\$ 657,285	\$ 508,806
Career Education	284,879	231,415
Chemical and Mental Health	80,000	289,955
General Fundraising	800,558	954,223
Charitable Remainder Unitrust	337,583	317,314
Total	<u><u>\$ 2,160,305</u></u>	<u><u>\$ 2,301,713</u></u>

The General Fundraising line includes the donor-restricted contribution of \$740,339 and \$759,756 as of December 31, 2021 and 2020, respectively, relating to the City of Minneapolis interest free loan. See Note 4 for more details.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>2021</u>	<u>2020</u>
Ending Homelessness	\$ 665,021	\$ 205,392
Employment Services	-	17,156
Career Education	385,536	218,720
Chemical and Mental Health	342,355	253,235
General Fundraising	56,265	312,407
Total	<u>\$ 1,449,177</u>	<u>\$ 1,006,910</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, 2021, 2020 and 2019 was \$13,174,497, \$11,597,055, and \$9,613,417, respectively.

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

NOTE 8 CONTRACT ASSETS

The Organization's contract assets consist of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts Receivable:			
Program Fee for Service -			
Third Party Payor	\$ 1,477,111	\$ 1,053,633	\$ 1,623,218
Accounts Receivables:			
(Nonexchange Transactions)	1,909,736	3,145,922	1,362,650
Total Accounts Receivables	<u>\$ 3,386,847</u>	<u>\$ 4,199,555</u>	<u>\$ 2,985,868</u>

NOTE 9 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, 2021 and 2020. Additionally, the Organization makes an annual 3.5% nondiscretionary safe harbor payment. During fiscal year 2020, as a result of the Coronavirus pandemic, the plan was only active for the first three months of the year and was reactivated effective January 1, 2021. The total expense for the years ended December 31, 2021 and 2020 was \$408,039 and \$93,522, respectively.

AVIVO AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 CONTINGENCIES

In the normal course of business, the Organization has claims made against it. As of December 31, 2021, 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 11 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:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,389,050	\$ 6,756,559
Less: Restricted for		
Debt Service	(549,300)	(949,700)
Less: Restricted for Purpose	<u>(1,822,722)</u>	<u>(1,984,399)</u>
Cash and Cash Equivalents		
Available Within Year	\$ 3,017,028	\$ 3,822,460
Accounts Receivable	3,386,847	4,199,555
Pledges Receivable	366,000	166,744
Less: Restricted for Purpose	<u>(156,000)</u>	<u>(156,000)</u>
Pledges Receivable		
Available Within Year	<u>210,000</u>	<u>10,744</u>
Total	<u>\$ 6,613,875</u>	<u>\$ 8,032,759</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.



**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, 2021, 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 March 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Avivo and Subsidiaries' 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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avivo and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Avivo and Subsidiaries' 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 consolidated 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avivo and Subsidiaries' consolidated 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 consolidated 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 23, 2022



**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, 2021. 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, 2021.

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 (*Government Auditing Standards*); 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' 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' 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' 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' 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' 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' 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, 2021, and have issued our report thereon dated March 23, 2022, 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
March 23, 2022

AVIVO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

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	MN0026L5K001912	\$ 112,426
Continuum of Care Program	14.267	MN0026L5K002013	618,025
Continuum of Care Program:			
Pass-Through Programs from:			
Beacon Interfaith Housing Collaborative	14.267	MN0016L5K001811	173,450
Pass-through Programs from:			
Hearth Connection:			
Continuum of Care Program	14.267	MN0001L5K001907	561,218
Continuum of Care Program	14.267	MN0001L5K002008	162,513
Continuum of Care Program	14.267	MN0073L5K031912	6,556
Continuum of Care Program	14.267	MN0073L5K032013	3,376
Continuum of Care Program	14.267	MN0450L5K001900	13,616
Continuum of Care Program	14.267	MN0450L5K0012001	6,285
Continuum of Care Program	14.267	MN0045L5K011912	43,746
Continuum of Care Program	14.267	MN0045L5K012013	26,526
Continuum of Care Program	14.267	MN077L5K031912	40,250
Continuum of Care Program	14.267	MN077L5K032013	18,413
Total Continuum of Care Program			<u>1,786,400</u>
Community Development Block Grant/Entitlement Grant:			
Pass-Through Programs from:			
City of Minneapolis:			
Community Development Block Grant/Entitlement Grant	14.218	C40462-EA301	55,304
Community Development Block Grant/Entitlement Grant	14.218	C40462-G501	56,500
Community Development Block Grant/Entitlement Grant	14.218	COM0003235	1,821,241
Community Development Block Grant/Entitlement Grant	14.218	COM3271	64,671
Total Community Development Block Grant/Entitlement Grant			<u>1,997,716</u>
Emergency Solutions Grant Program			
Pass-Through Programs from:			
Hennepin County:			
Emergency Solutions Grant Program	14.231	HS00000325	131,849
Pass-Through Programs from:			
City of Minneapolis:			
Emergency Solutions Grant Program	14.231	COM002655	185,471
Total Emergency Solutions Grant Program			<u>317,320</u>
Total Department of Housing and Urban Development Programs			4,101,436
Department of Agriculture:			
Pass-Through Programs from:			
Stearns County:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN127Q7503	18,999
Hennepin County:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HS00000601	4,860
Total Department of Agriculture/ Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>23,859</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

AVIVO AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

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	COM3271-F601	60,000
WIOA Youth Activities	17.259	C-40462-H602	<u>237,737</u>
Total WIOA Youth Activities			297,737
Hennepin County			
WIOA Adult Program	17.258	9093100	137,966
WIOA Adult Program	17.258	0093100	<u>226,980</u>
Total WIOA Adult Program			364,946
WIOA Dislocated Worker Formula Grants	17.278	9098000	63,907
WIOA Dislocated Worker Formula Grants	17.278	0098000	178,288
WIOA Dislocated Worker Formula Grants	17.278	1098000	<u>36,425</u>
Total WIOA Dislocated Worker Formula Grants			278,620
Total Workforce Innovation and Opportunity Act Cluster			941,303
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	1090100	<u>8,047</u>
Total Department of Labor			949,350
Department of Health and Human Services:			
Substance Abuse and Mental Health Services:			
Treatment Based Reentry Continuum - SAMHSA	93.243	H79TI0080845	<u>267,062</u>
Total Substance Abuse and Mental Health Services			267,062
Temporary Assistance for Needy Families Cluster:			
Pass-Through Programs from:			
Ramsey County:			
Temporary Assistance for Needy Families - MFIP	93.558	1601MNTANF	675,263
Stearns County			
Temporary Assistance for Needy Families - MFIP	93.558	1502MNTANF	1,238,787
Benton County			
Temporary Assistance for Needy Families - MFIP	93.558	1702MNTANF	<u>343,484</u>
Total Temporary Assistance for Needy Families Cluster			2,257,534
Refugee and Entrant Assistance State/Replacement Designee Administered Programs			
Pass-Through Programs from:			
Lutheran Social Services of Minnesota	93.566	1901MNTANF	<u>155,957</u>
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	773,062
Block Grants for Prevention and Treatment of Substance Abuse	93.959	159563	<u>90,325</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			863,387
DHS Opioid STR			
State of Minnesota Department of Human Services:			
DHS Opioid STR	93.788	148812	<u>176,351</u>
Total Department of Health and Human Services			<u>3,720,291</u>
U.S. Department of Treasury			
Pass-Through Programs from:			
Hennepin County			
COVID-19 Coronavirus Relief Fund	21.019	PR00002768	<u>725,643</u>
Total Department of Treasury			<u>725,643</u>
Total Federal Awards Expended			<u>\$ 9,520,579</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

AVIVO AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

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, 2021. 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 for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. 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.

NOTE 3 SUBRECIPIENTS

The Organization did not have any subrecipients in 2021.

**AVIVO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

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
14.218	Community Development Block Grants/Entitlement Grant
17.258, 17.259 and 17.278	Workforce Innovation and Opportunity Act Cluster
21.019	Coronavirus Relief Fund
93.558	Temporary Assistance for Needy Families

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

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

**AVIVO AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

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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