

**LIFEWORKS SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

[CLAconnect.com](https://www.CLAconnect.com)

**LIFEWORKS SERVICES, INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>10</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>11</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lifeworks Services, Inc.  
Eagan, Minnesota

### ***Opinion***

We have audited the accompanying financial statements of Lifeworks Services, Inc. (Lifeworks) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lifeworks as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our 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 Financial Statements section of our report. We are required to be independent of Lifeworks 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Lifeworks' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifeworks' 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.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 14, 2022

**LIFEWORKS SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,022,374	\$ 7,502,131
Accounts Receivable, Net	6,311,171	6,652,618
Prepaid Expenses	544,030	387,331
Investments	3,070,346	3,091,374
Beneficial Interests in Assets Held by a Community Foundation	23,522,054	16,788,885
Promises to Give, Net	89,800	4,583
Deferred Compensation	312,476	318,850
Property and Equipment, Net	3,287,392	3,293,449
Total Assets	\$ 42,159,643	\$ 38,039,221
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 269,525	\$ 911,669
Accrued Salaries and Related Expenses	3,032,426	3,624,467
Accrued Vacation and Sick Pay	2,334,328	2,040,638
Other Accrued Expenses	161,279	600
Deferred Revenue	28,819	1,815
Deferred Leases	28,262	69,451
Deferred Compensation	312,476	318,850
Notes Payable	1,353,632	1,493,524
Total Liabilities	7,520,747	8,461,014
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Designated for Property and Equipment	1,933,760	1,799,925
Board-Designated Operating Reserve	26,592,400	19,880,259
Undesignated	6,085,436	7,892,523
Total Without Donor Restrictions	34,611,596	29,572,707
With Donor Restrictions	27,300	5,500
Total Net Assets	34,638,896	29,578,207
Total Liabilities and Net Assets	\$ 42,159,643	\$ 38,039,221

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Service Contracts	\$ 78,146,979	\$ -	\$ 78,146,979
Vocational Contracts	1,467,735	-	1,467,735
Contributions and Grants	1,452,893	27,300	1,480,193
Private Pay	5,571	-	5,571
Interest Income	15,644	-	15,644
Investment Income (Loss)	(15,878)	-	(15,878)
Change in Value of Beneficial Interest in Assets Held by Community Foundation	3,733,169	-	3,733,169
COVID Relief Contributions and Grants	598,561	-	598,561
Other	89,096	-	89,096
Net Assets Released from Restrictions	5,500	(5,500)	-
Total Support and Revenue	<u>85,499,270</u>	<u>21,800</u>	<u>85,521,070</u>
<b>EXPENSES</b>			
Program Services	73,871,736	-	73,871,736
Supporting Services:			
Administration	6,223,421	-	6,223,421
Development	365,224	-	365,224
Total Supporting Services	<u>6,588,645</u>	<u>-</u>	<u>6,588,645</u>
Total Expenses	<u>80,460,381</u>	<u>-</u>	<u>80,460,381</u>
<b>CHANGE IN NET ASSETS</b>	5,038,889	21,800	5,060,689
Net Assets - Beginning of Year	<u>29,572,707</u>	<u>5,500</u>	<u>29,578,207</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 34,611,596</u>	<u>\$ 27,300</u>	<u>\$ 34,638,896</u>

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>	\$ 71,487,806	\$ -	\$ 71,487,806
Service Contracts	1,331,451	-	1,331,451
Vocational Contracts	814,982	117,500	932,482
Contributions and Grants	22,171	-	22,171
Private Pay	11,684	-	11,684
Interest Income	27,177	-	27,177
Investment Income (Loss)			
Change in Value of Beneficial Interest in Assets Held by Community Foundation	1,282,928	-	1,282,928
COVID Relief Contributions and Grants	2,783,598	-	2,783,598
Other	127,666	-	127,666
Net Assets Released from Restrictions	209,500	(209,500)	-
Total Support and Revenue	<u>78,098,963</u>	<u>(92,000)</u>	<u>78,006,963</u>
<b>EXPENSES</b>	69,970,183	-	69,970,183
Program Services			
Supporting Services:			
Administration	5,422,972	-	5,422,972
Development	333,804	-	333,804
Total Supporting Services	<u>5,756,776</u>	<u>-</u>	<u>5,756,776</u>
Total Expenses	<u>75,726,959</u>	<u>-</u>	<u>75,726,959</u>
<b>CHANGE IN NET ASSETS</b>	2,372,004	(92,000)	2,280,004
Net Assets - Beginning of Year	<u>27,200,703</u>	<u>97,500</u>	<u>27,298,203</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 29,572,707</u>	<u>\$ 5,500</u>	<u>\$ 29,578,207</u>

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

<b>EXPENSES</b>	Program Services					Total Program Services
	Day Services	Employment Services	Transportation	Fiscal Services	New Business Development	
Salaries	\$ 1,449,698	\$ 4,242,824	\$ 253,055	\$ 55,137,830	\$ 139,265	\$ 61,222,672
Payroll Taxes and Benefits	510,614	1,296,902	75,947	3,531,901	50,965	5,466,329
Total Salaries and Related Benefits	1,960,312	5,539,726	329,002	58,669,731	190,230	66,689,001
Fiscal Intermediary Purchase	-	-	-	5,053,879	-	5,053,879
Professional Services	1,773	7,257	978	2,008	800	12,816
Travel	15,724	147,669	318,140	100,995	-	582,528
Advertisement	-	-	-	-	-	-
Insurance	25,947	12,770	38,916	25,539	313	103,485
Occupancy Costs	696,156	27,990	226	76,475	-	800,847
Telecommunication/Hosting Services	73,413	80,382	9,866	62,409	1,336	227,406
Equipment Expenses	40,946	25,885	1,732	13,592	-	82,155
Other Supplies	5,878	8,628	423	3,106	-	18,035
Printing	55	2,022	-	7,924	100	10,101
Postage	257	296	30	12,809	-	13,392
Recruitment, Training, and Meetings	2,888	6,244	605	18,543	1,804	30,084
Memberships and Subscriptions	3,276	8,656	2,316	9,264	-	23,512
Events	-	-	-	-	-	-
Recognition	5,930	11,618	1,495	2,799	51	21,893
Interest	48,013	-	-	-	-	48,013
Miscellaneous	4,383	21,708	353	128,145	-	154,589
Total Functional Expenses	\$ 2,884,951	\$ 5,900,851	\$ 704,082	\$ 64,187,218	\$ 194,634	\$ 73,871,736

See accompanying Notes to Financial Statements.



**LIFEWORKS SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

<b>EXPENSES</b>	Supporting Services		
	Administration	Development	Total
Salaries	\$ 2,714,295	\$ 233,084	\$ 64,170,051
Payroll Taxes and Benefits	717,766	49,796	6,233,891
Total Salaries and Related Benefits	3,432,061	282,880	70,403,942
Fiscal Intermediary Purchase	-	-	5,053,879
Professional Services	543,622	16,720	573,158
Travel	1,029	699	584,256
Advertisement	672,113	-	672,113
Insurance	8,048	-	111,533
Occupancy Costs	254,411	-	1,055,258
Telecommunication/Hosting Services	398,925	2,257	628,588
Equipment Expenses	546,865	-	629,020
Other Supplies	8,963	32	27,030
Printing	13,211	5,299	28,611
Postage	27,675	9,562	50,629
Recruitment, Training, and Meetings	144,312	1,603	175,999
Memberships and Subscriptions	55,266	1,065	79,843
Events	-	40,948	40,948
Recognition	20,991	659	43,543
Interest	-	-	48,013
Miscellaneous	95,929	3,500	254,018
Total Functional Expenses	\$ 6,223,421	\$ 365,224	\$ 80,460,381

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

<b>EXPENSES</b>	Program Services					Total Program Services
	Day Services	Employment Services	Transportation	Fiscal Services	New Business Development	
Salaries	\$ 1,495,174	\$ 3,881,505	\$ 277,105	\$ 50,191,862	\$ 142,953	\$ 55,988,599
Payroll Taxes and Benefits	831,660	1,724,122	140,046	3,859,255	52,056	6,607,139
Total Salaries and Related Benefits	2,326,834	5,605,627	417,151	54,051,117	195,009	62,595,738
Fiscal Intermediary Purchase	-	-	-	4,551,103	-	4,551,103
Professional Services	18,423	11,757	1,689	1,129	1,950	34,948
Travel	15,079	119,075	365,009	94,320	652	594,135
Advertisement	-	-	-	-	1,000	1,000
Insurance	24,311	11,467	31,978	20,253	252	88,261
Occupancy Costs	793,069	144,128	311	77,100	1,200	1,015,808
Telecommunication/Hosting Services	76,671	76,155	8,327	34,017	2,188	197,358
Equipment Expenses	147,341	48,260	1,927	11,326	-	208,854
Other Supplies	28,587	16,641	759	5,317	-	51,304
Printing	1,686	561	46	8,319	1,855	12,467
Postage	2,037	2,056	381	16,433	-	20,907
Recruitment, Training, and Meetings	2,819	4,051	496	22,007	8,126	37,499
Memberships and Subscriptions	2,093	2,474	502	10,087	-	15,156
Events	-	-	-	-	-	-
Recognition	5,530	8,898	575	1,788	166	16,957
Interest	51,277	-	-	-	-	51,277
Miscellaneous	23,205	48,500	715	406,866	(1,875)	477,411
Total Functional Expenses	\$ 3,518,962	\$ 6,099,650	\$ 829,866	\$ 59,311,182	\$ 210,523	\$ 69,970,183

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**

<b>EXPENSES</b>	Supporting Services		
	Administration	Development	Total
Salaries	\$ 2,222,368	\$ 191,537	\$ 58,402,504
Payroll Taxes and Benefits	602,357	49,012	7,258,508
Total Salaries and Related Benefits	2,824,725	240,549	65,661,012
Fiscal Intermediary Purchase	-	-	4,551,103
Professional Services	729,043	21,899	785,890
Travel	3,206	-	597,341
Advertisement	362,800	-	363,800
Insurance	15,665	-	103,926
Occupancy Costs	276,966	225	1,292,999
Telecommunication/Hosting Services	398,378	5,483	601,219
Equipment Expenses	550,532	1,372	760,758
Other Supplies	5,417	41	56,762
Printing	37,383	13,878	63,728
Postage	30,859	6,692	58,458
Recruitment, Training, and Meetings	36,182	1,752	75,433
Memberships and Subscriptions	58,898	1,385	75,439
Events	750	43,529	44,279
Recognition	12,517	-	29,474
Interest	-	-	51,277
Miscellaneous	79,651	(3,001)	554,061
Total Functional Expenses	\$ 5,422,972	\$ 333,804	\$ 75,726,959

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 5,060,689	\$ 2,280,004
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	454,818	612,698
Uncompensated Care	119,557	429,386
Gain on Disposal of Property and Equipment	(25,200)	(10,090)
Realized and Unrealized (Gain) Loss on Investments	15,878	(26,859)
Change in Beneficial Interests in Assets		
Held by Community Foundation	(3,733,169)	(1,282,928)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	221,890	(1,835,581)
Promises to Give	(85,217)	64,917
Prepaid Expenses	(156,699)	29,861
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(642,144)	410,983
Accrued Salaries and Related Expenses	(592,041)	1,521,678
Accrued Vacation and Sick Pay	293,690	274,472
Other Accrued Expenses	160,679	(2,776)
Deferred Revenue	27,004	(60,955)
Deferred Leases	(41,189)	5,233
Net Cash Provided by Operating Activities	1,078,546	2,410,043
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to Assets Held by Community Foundation	(3,000,000)	-
Sale of Investments	5,150	-
Purchases of Property and Equipment	(448,761)	(149,514)
Proceeds from Sale of Property and Equipment	25,200	10,090
Net Cash Used by Investing Activities	(3,418,411)	(139,424)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on Notes Payable	(139,892)	(110,813)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,479,757)	2,159,806
Cash and Cash Equivalents - Beginning of Year	7,502,131	5,342,325
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,022,374	\$ 7,502,131
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Payment for Interest	\$ 48,013	\$ 51,277

See accompanying Notes to Financial Statements.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

Since 1965, Lifeworks Services, Inc. (Lifeworks or the Organization) has been a champion for inclusion. Lifeworks was founded by families who recognized the importance of advocacy and removing barriers for people with disabilities to be part of the community. As an industry leader, Lifeworks continues our commitment to self-determined support, careers with competitive wages, and developing innovative opportunities that enhance lives.

Lifeworks' mission is to serve our community and people with disabilities as we live and work together.

**Lifeworks Fiscal Management Services**

Lifeworks supported over 2,125 individuals to self-direct their services in 2021. As an approved Financial Management Services (FMS) provider through the state of Minnesota, Lifeworks helps people enrolled in the Consumer Directed Community Supports (CDCS) and Consumer Support Grant (CSG) programs. Lifeworks also serves as a PCA Choice provider agency and an in-home licensed provider of Individualized Home Supports (IHS), Respite and Night Supervision.

The people supported by Lifeworks, selected, hired, and trained over 3,900 employees to provide the assistance they need to live in their homes and access the community.

In 2021, Lifeworks added Housing Consultation Services to aid in finding a housing solution that works for each individual. Lifeworks is a state-certified housing consultant and a Home and Community-Based Services provider.

**Lifeworks Employment Services**

For 35 years, Lifeworks has worked to remove barriers and increase access to opportunities, leading to a more diverse and inclusive workforce in Minnesota.

In 2021, Lifeworks supported over 935 people through our employment services including 225 individuals who started new jobs over the course of the year. Participants joining the workforce or starting new jobs earned an average wage of \$12.70 per hour with wages as high as \$25 per hour.

**Lifeworks Day Services**

Through Day Support Services, Lifeworks supported 290 people as they connected to the community, engaged with their peers, and accessed technology. In 2021, Lifeworks added Resource Navigation, a service designed to explore options and connect individuals to resources that align with their goals.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Lifeworks New Business Development**

Lifeworks offers educational opportunities through workshops, webinars, and speaking engagements for businesses, self-advocates, service providers, and other communities. The disability-focused topics include ableism, disability inclusion, sustainable hiring, and workplace discrimination. In 2021, Lifeworks presented at 10 conferences, led 8 businesses through specialized workshops, and hosted 4 free-to-the-public webinars.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, Lifeworks considers all without donor restriction, highly liquid financial instruments with an original maturity of three months or less, which are neither held for nor restricted by donors for a long-term purpose, to be cash and cash equivalents.

**Receivables and Credit Policies**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a provision for uncompensated care expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior year experience and management's analysis. At December 31, 2021 and 2020, the allowance was \$320,000.

**Investments**

Investments consist of fixed income securities with various maturity dates and are recorded at fair value. Investment income or loss is reported on the statement of activities as without donor restrictions, as there are no restrictions on the income.

**Beneficial Interest in Assets Held by Community Foundation**

The Organization has an investment fund account held by the St. Paul and Minnesota Community Foundation (the Foundation) as a part of their multi-asset endowment portfolio. The fund was created with the objective of providing lasting support for Lifeworks Services, Inc. The Organization granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Promises to Give**

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques, incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectible promises to give based on historical experiences, an assessment of economic conditions, and a review of subsequent collections.

Promises to give are written off when deemed uncollectible. As of December 31, 2021 and 2020, the allowance was \$-0-.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Property and Equipment**

Property and equipment are stated at cost. Donated property and equipment are valued at fair market value at the date of the donation. The Organization capitalizes property and equipment with a value of \$5,000 or more. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building	40 Years
Leasehold Improvements	2 to 10 Years
Vehicles	5 Years
Furniture and Equipment	3 to 7 Years

Lifeworks reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions represents resources received with no donor-imposed restrictions. Net assets without donor restrictions include amounts that have been designated by the board of directors for specific purposes.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Net Assets (Continued)**

*Net Assets With Donor Restrictions* – Net assets with donor restrictions represents resources subject to donor-imposed restrictions which will be satisfied by a specific purpose or time period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization had no donor-restricted net assets that are required to be held in perpetuity at December 31, 2021 and 2020.

The board has designated \$26,592,400 and \$19,880,259 as of December 31, 2021 and 2020, respectively. The board has set aside these funds to be used as reserves to be used for general purposes, day-to-day operations in the event of unforeseen shortfalls, and nonrecurring expenses that will build long-term capacity.

**Service and Vocational Contract Revenue**

Contracts for services consist of contracts that are exchange transactions in which there is a reciprocal transfer of assets or services between the parties involved in the grant or contract. Exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue on the statements of financial position.

Lifeworks participates in the Medicaid program and is reimbursed for contracted services based on established rates. Revenue is recognized based on the date of services provided.

**Contributions and Grants Revenue**

Contributions received are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. Conditional contributions and grants received but not yet earned are recorded as deferred revenue on the statements of financial position.



**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America (U.S. GAAP). Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

**COVID Relief Contributions and Grants**

In the year ended December 31, 2021, the Organization received federal and state funding to respond to the impacts of the pandemic associated with COVID-19 to assist with unemployment claims. In the year ended December 31, 2020, the Organization received both federal and state funding to respond to the impacts of the pandemic associated with COVID-19, including funding from the federal CARES Act to assist with COVID-19 related expenses, assist with unemployment claims and provide funds for lost revenue, along with funding from the Minnesota Department of Human Services for COVID-19 related expenses.

**Advertising Costs**

Advertising costs are expensed as incurred and approximated \$672,113 and \$363,800 during the years ended December 31, 2021 and 2020, respectively.

**Functional Allocation of Expenses**

The cost of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the programs and supporting services benefited. The expenses allocated included occupancy and related expenses based on square footage, and salaries, payroll taxes, employer-paid benefits, professional services, travel, insurance, technology, office expenses, interest, and other, which were allocated based on estimates of time and effort.

**Income Taxes**

Lifeworks is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a). The Organization undergoes an annual analysis of its various tax positions. The Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Income Taxes (Continued)**

The Organization believes that it has appropriate support for any tax position taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits or expenses in income tax expenses if incurred.

**Estimates**

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash and investment with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. Credit risk associated with accounts receivable and promises to give are considered to be limited due to high historical collection rates. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

**Subsequent Events**

The Organization has evaluated subsequent events through April 14, 2022, the date which the financial statements were available to be issued.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The fair value of the multi-asset endowment portfolio assets held at the Foundation is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

**LIFEWORCS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The following table present assets measured at fair value on a recurring basis, at December 31:

	Fair Value Measurement at Report Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>December 31, 2021</u>				
Fixed Income	\$ 3,014,045	\$ -	\$ -	\$ 3,014,045
Beneficial Interest in Multi-Assets				
Endowment Portfolio Assets				
Held at the St. Paul and Minnesota				
Community Foundation	-	-	23,522,054	23,522,054
Total	3,014,045	-	23,522,054	26,536,099
Cash and Cash Equivalents	-	-	-	56,301
Total	<u>\$ 3,014,045</u>	<u>\$ -</u>	<u>\$ 23,522,054</u>	<u>\$ 26,592,400</u>
<u>December 31, 2020</u>				
Fixed Income	\$ 2,571,618	\$ -	\$ -	\$ 2,571,618
Beneficial Interest in Multi-Assets				
Endowment Portfolio Assets				
Held at the St. Paul and Minnesota				
Community Foundation	-	-	16,788,885	16,788,885
Total	2,571,618	-	16,788,885	19,360,503
Cash and Cash Equivalents	-	-	-	519,756
Total	<u>\$ 2,571,618</u>	<u>\$ -</u>	<u>\$ 16,788,885</u>	<u>\$ 19,880,259</u>

For the valuation of the beneficial interest in assets held by a community foundation at December 31, 2021 and 2020, the Organization used significant unobservable inputs (Level 3). The Organization had \$3,000,000 and \$-0- of purchases into Level 3 investments and no sales for the years ended December 31, 2021 and 2020, respectively.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The following table describes the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year.

Quantitative Information About Level 3 Fair Value Measurements			
Types of Assets	Fair Value at December 31, 2021	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Community Foundation	\$ 23,522,054	Fair Value of Assets	Value of Underlying Assets
Total	\$ 23,522,054		
Types of Assets	Fair Value at December 31, 2020	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Assets Held by a Community Foundation	\$ 16,788,885	Fair Value of Assets	Value of Underlying Assets
Total	\$ 16,788,885		

**NOTE 3 PROMISES TO GIVE**

Unconditional promises to give at December 31 are as follows:

	2021	2020
Operating Support	\$ 89,800	\$ 4,583
Less: Allowance for Uncollectible Promises Receivable	-	-
Promises to Give, Net	\$ 89,800	\$ 4,583

At December 31, 2021 and 2020, promises to give were expected to be collected within 12 months.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31 follows:

	2021	2020
Land	\$ 556,228	\$ 556,228
Building	2,803,340	2,803,340
Leasehold Improvements	1,081,220	1,369,034
Vehicles	1,082,329	1,237,582
Furniture and Equipment	4,308,494	3,966,702
Total	<u>9,831,611</u>	<u>9,932,886</u>
Less: Accumulated Depreciation	<u>6,544,219</u>	<u>6,639,437</u>
Property and Equipment, Net	<u>\$ 3,287,392</u>	<u>\$ 3,293,449</u>

**NOTE 5 LINE OF CREDIT**

The Organization has a revolving line of credit available from a financial institution. The line of credit was entered into starting October 29, 2019 and was extended to May 31, 2023 and is limited to \$5,000,000 for the year. The credit line bears interest at a fluctuating rate determined by the financial institution and will bear an interest rate floor of 4.0%. The line is secured by general business assets, accounts receivable, and equipment. There was no outstanding balance as of December 31, 2021 and December 31, 2020. The line of credit requires compliance with certain financial and nonfinancial covenants.

**NOTE 6 NOTES PAYABLE**

Notes payable consisted of the following:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Education facilities revenue bond with the city of Apple Valley assigned to Minnesota Bank & Trust; payments due in monthly installments of \$13,508, including interest at 3.3% beginning January 1, 2017; maturing December 1, 2021. Secured by a mortgage and security agreement.	<u>\$ -</u>	<u>\$ 1,493,524</u>
Refinanced note payable with the Minnesota Bank & Trust with payments due in monthly installments of \$18,671, including interest at 3.0% beginning August 15, 2021; maturing August 15, 2028. Secured by a mortgage and security agreement.	<u>\$ 1,353,632</u>	<u>\$ -</u>

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 6 NOTES PAYABLE (CONTINUED)**

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 185,446
2023	191,166
2024	196,982
2025	203,138
2026	209,404
Thereafter	367,496
Total	<u>\$ 1,353,632</u>

**NOTE 7 LEASES**

The Organization leases space and some equipment for its operations under operating leases with payments ranging from \$1,500 to \$24,128 per month. In addition to monthly rent payments, some of the leases require the Organization to pay real estate taxes, insurance, and other occupancy costs. The lease agreements' ending dates vary through March 31, 2023.

Certain leases include escalating rent payments. The leases have been accounted for utilizing the straight-line method and rent expense has been spread evenly over the life of the lease. The difference between the actual rent payments on these leases compared to the straight-line rent expense amount has been recognized on the statements of financial position as deferred leases.

Future minimum lease payments for the operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 377,506
2023	53,950
Total	<u>\$ 431,456</u>

On March 9, 2022, the Organization entered into a new lease agreement for office space. The lease begins on July 1, 2022, and terminates on November 30, 2029. The monthly payments under the new lease range from \$7,991 to \$10,423 per month, with the first five months with \$-0- rent due.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 8 DONATED GOODS AND SERVICES**

Donations of goods and services are used to support program services and are stated based on a good faith estimate of the value of goods or services.

Year Ended December 31, 2021				
	Program Services	Administration	Development	Total
Professional Fees	\$ -	\$ 80,476	\$ -	\$ 80,476
Program Supplies and Activities	500	-	-	500
Wireless Communications	-	13,830	-	13,830
Advertisement	-	510,703	-	510,703
Other	-	62,391	-	62,391
Total	\$ 500	\$ 667,400	\$ -	\$ 667,900

  

Year Ended December 31, 2020				
	Program Services	Administration	Development	Total
Professional Fees	\$ -	\$ 60,679	\$ -	\$ 60,679
Program Supplies and Activities	13,632	-	-	13,632
Wireless Communications	-	64,621	-	64,621
Advertisement	-	259,124	-	259,124
Other	-	3,232	-	3,232
Total	\$ 13,632	\$ 387,656	\$ -	\$ 401,288

Three volunteers contributed approximately 1,945 hours of service to Lifeworks during 2021, and 26 volunteers contributed approximately 1,811 hours of service to Lifeworks during 2020.



**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 9 DONOR-RESTRICTED NET ASSETS**

Donor-restricted net assets at December 31 consist of:

	<u>2021</u>	<u>2020</u>
2021 Annual Event	\$ -	\$ 5,500
2022 Annual Event	27,300	-
Total	<u>\$ 27,300</u>	<u>\$ 5,500</u>

Net assets were released from restrictions as follows during the years ended December 31:

	<u>2021</u>	<u>2020</u>
2021 Annual Event	\$ -	\$ 169,500
2022 Annual Event	5,500	-
Navigation	-	40,000
Total	<u>\$ 5,500</u>	<u>\$ 209,500</u>

**NOTE 10 COLLECTIVE BARGAINING AGREEMENT**

A portion of Lifeworks' employees are covered by collective bargaining agreements. The most recent agreement between SEIU Healthcare Minnesota and the state of Minnesota (the fiscal service union employees) was in effect from July 1, 2021 through June 30, 2023. As of December 31, 2021 and 2020, approximately 42% and 43% of the Organization's employees were represented by this collective bargaining agreement, respectively.

**NOTE 11 RETIREMENT BENEFITS**

Lifeworks has a defined contribution salary deferral plan. Employees are eligible to participate in this 403(b) plan maintained by the Organization any time after their date of hire.

For eligible employees, the Organization intends to continue to provide a 3% contribution as a discretionary contribution under the 403(b) retirement plan, as well as contribute annually a 100% matching contribution on the eligible nonunion employee's elective deferral contributions to the 403(b) retirement plan, up to a maximum of 4% of the employee's compensation. The Organization's contributions to the 403(b) retirement plan is fully vested after three years of employment.

Employer contributions to the plans, for employees, were \$473,597 and \$452,735 for 2021 and 2020, respectively.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 12 DEFERRED COMPENSATION**

The Organization has a deferred compensation agreement with select highly compensated employees which calls for the Organization to fund an IRC Section 457(b) deferred compensation plan. Deferred compensation of up to 7% of the employee's salary contract or the maximum limitation allowed pursuant to Section 457(b) of the IRC, is paid to fund annuity contracts. These 457(b) deferred compensation plans were fully funded as of December 31, 2021 and 2020. Deferred compensation payments and expense under the agreement were \$45,722 and \$50,668 for 2021 and 2020, respectively.

**NOTE 13 CONCENTRATIONS**

The Organization receives a substantial amount of its support and revenue from Medicaid which made up 95% and 93% of revenue (excluding investment income) in 2021 and 2020, respectively. A significant reduction in the level of revenue received by Medicaid may have an effect on the Organization's ability to continue its programs and activities.

**NOTE 14 CONTINGENCIES**

Lifeworks Fiscal and In-Home Service programs provide in-home personal care and fiscal intermediary services to allow individuals to continue living at home. A majority of this funding is provided by the state of Minnesota's medical assistance waiver program. Lifeworks' role is to manage the employment, training, payroll services, and reimbursements of qualified expenses within a client's approved plan including billing the state, county, or insurance companies for those services. If Lifeworks inadvertently approves expenses that are later denied for reimbursement, Lifeworks could be at risk for payment of these services. Revenue related to this program totaled \$71,496,371 and \$65,712,955 for 2021 and 2020, respectively. Administrative fees were allocated to the program of \$3,584,224 and \$3,022,307 for 2021 and 2020, respectively.

**NOTE 15 RELATED PARTY TRANSACTION**

During the year ended December 31, 2021, Lifeworks entered into a Membership Agreement with Altair ACO, a Minnesota nonprofit corporation. Altair ACO had been operating under the name Altair as an unincorporated association pursuant to the terms of a Memorandum of Understanding most recently dated January 1, 2020. Lifeworks entered into the Membership Agreement with other nonprofit organizations to improve quality and effectiveness of services provided to people with disabilities in Minnesota and pursue initiatives to create the best integrated models of care.

Under the membership agreement, Lifeworks appoints its chief executive officer to represent Lifeworks as a board member of the Altair ACO. This member has voting rights. During the years ended December 31, 2021 and 2020, Lifeworks paid dues of \$47,536 and \$37,536, respectively.

**LIFEWORKS SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 16 LIQUIDITY AND AVAILABILITY**

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short- and long-term investment vehicles. Occasionally, the board designates a portion of any operating surplus to its operating reserve, which was \$26,592,400 and \$19,880,259 as of December 31, 2021 and 2020, respectively. The target minimum board-designated financial asset is equal to 60 days of average projected operating costs not to fall below any contractual minimum net asset requirement. There are established board-designed funds where the governing board has the objective of setting funds aside to be drawn upon in the event of unforeseen shortfalls. Funds may be used for one-time, nonrecurring expenses to build long-term capacity, such as staff development, research and development or investment in infrastructure. Funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution. In the event of an unanticipated liquidity need, the Organization could draw upon its \$5 million of available line of credit (as further discussed in Note 5).

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows:

	2021	2020
Cash and Cash Equivalents	\$ 5,022,374	\$ 7,502,131
Accounts Receivable, Net of Allowance	6,311,171	6,652,618
Promises to Give, Net of Allowance	89,800	4,583
Investments	3,070,346	3,091,374
Beneficial Interests in Assets Held by a Community Foundation	<u>23,522,054</u>	<u>16,788,885</u>
Total	38,015,745	34,039,591
Less: Restricted Net Assets Unavailable for General Expenditures	(27,300)	(5,500)
Less: Board-Designated Funds	<u>(26,592,400)</u>	<u>(19,880,259)</u>
Financial Assets Available Within One Year for General Expenditures	<u>\$ 11,396,045</u>	<u>\$ 14,153,832</u>

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

