

# 180 Degrees, Inc. and Subsidiaries

Consolidated Financial Statements and  
Supplementary Information

Years Ended June 30, 2022 and 2021

The logo for WIPFLI, consisting of the word "WIPFLI" in white, uppercase, sans-serif font, centered within a solid blue rectangular box.

**WIPFLI**

# 180 Degrees, Inc. and Subsidiaries

Years Ended June 30, 2022 and 2021

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## **Independent Auditor's Report**

Board of Directors  
180 Degrees, Inc. and Subsidiaries  
Minneapolis, MN

### ***Report on the Audit of the Consolidated Financial Statements***

#### ***Opinion***

We have audited the accompanying consolidated financial statements of 180 Degrees, Inc. and Subsidiaries (the "Organization"), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of 180 Degrees, Inc. and Subsidiaries as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of 180 Degrees, Inc. 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 the 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 180 Degrees, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

## ***Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 180 Degrees, Inc. 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 180 Degrees, Inc. 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.

### ***Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 180 Degrees, Inc. 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 the Organization's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

Minneapolis, Minnesota  
November 10, 2022

# 180 Degrees, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash	\$ 758,317	\$ 777,966
Restricted deposits	30,025	-
Accounts receivable, net	861,193	796,385
Pledges receivable	-	990
Prepaid expenses	25,399	9,575
Total current assets	1,674,934	1,584,916
Property and equipment:		
Construction in progress	805,057	73,098
Land	381,992	381,992
Buildings	7,290,216	7,290,216
Equipment	623,339	592,695
Furniture and fixtures	75,647	75,647
Vehicles	180,158	208,720
Subtotal	9,356,409	8,622,368
Less - Accumulated depreciation	(2,972,566)	(2,744,479)
Net property and equipment	6,383,843	5,877,889
TOTAL ASSETS	\$ 8,058,777	\$ 7,462,805

See accompanying notes to consolidated financial statements.

**180 Degrees, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position (Continued)**

June 30, 2022 and 2021

Liabilities and Net Assets	2022	2021
Current liabilities:		
Notes payable, current portion	\$ 103,236	\$ 100,136
Capital leases payable, current portion	11,485	12,590
Accounts payable	247,073	145,512
Accrued expenses	462,924	305,446
Refundable advance liability	75,000	-
Total current liabilities	899,718	563,684
Long-term liabilities:		
Notes payable, net of current portion	2,443,890	2,390,150
Capital leases payable, net of current portion	41,174	6,328
Tenant security deposits	13,920	-
Refundable advance liability	-	77,034
Total long-term liabilities	2,498,984	2,473,512
Total liabilities	3,398,702	3,037,196
Net assets:		
Without donor restrictions:		
Undesignated	4,032,117	3,825,609
Board designated	360,000	360,000
With donor restrictions	267,958	240,000
Total net assets	4,660,075	4,425,609
TOTAL LIABILITIES AND NET ASSETS	\$ 8,058,777	\$ 7,462,805

See accompanying notes to consolidated financial statements.

**180 Degrees, Inc. and Subsidiaries**  
**Consolidated Statements of Activities**

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Program service revenue and government contracts	\$ 3,032,811	\$ -	\$ 3,032,811	\$ 3,001,380	\$ -	\$ 3,001,380
Contributions and grants	2,221,695	180,000	2,401,695	2,321,214	240,000	2,561,214
Capital Campaign Contributions	521,450	-	521,450	-	-	-
Rental income	215,285	-	215,285	132,496	-	132,496
Special event income, net	14,350	-	14,350	3,770	-	3,770
Other income	93,014	-	93,014	67,219	-	67,219
New Market Tax Credit loan forgiveness	-	-	-	1,050,149	-	1,050,149
Net assets released from restrictions	152,042	(152,042)	-	94,000	(94,000)	-
<b>Total revenue and support</b>	<b>6,250,647</b>	<b>27,958</b>	<b>6,278,605</b>	<b>6,670,228</b>	<b>146,000</b>	<b>6,816,228</b>
Expenses:						
Program services	4,910,630	-	4,910,630	4,897,979	-	4,897,979
Supporting services:						
Management and general	756,655	-	756,655	770,777	-	770,777
Fundraising	376,854	-	376,854	276,848	-	276,848
<b>Total expenses</b>	<b>6,044,139</b>	<b>-</b>	<b>6,044,139</b>	<b>5,945,604</b>	<b>-</b>	<b>5,945,604</b>
Change in net assets	206,508	27,958	234,466	724,624	146,000	870,624
Net assets at beginning of year	4,185,609	240,000	4,425,609	3,460,985	94,000	3,554,985
<b>Net assets at end of year</b>	<b>\$ 4,392,117</b>	<b>\$ 267,958</b>	<b>\$ 4,660,075</b>	<b>\$ 4,185,609</b>	<b>\$ 240,000</b>	<b>\$ 4,425,609</b>

See accompanying notes to consolidated financial statements.



**180 Degrees, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2022

	Program Services						Total Program	Management and General	Fundraising	Total
	Residential			Community Based Programs						
	Brittany's Place	Clifton Halfway House	Foster Care and Youth Group Homes	Family Preservation Services	Youth Vocational					
Salaries and wages	\$ 611,504	\$ 559,010	\$ 1,318,947	\$ 125,509	\$ 158,010	\$ 2,772,980	\$ 494,828	\$ 231,221	\$ 3,499,029	
Payroll taxes	45,360	38,459	96,304	9,497	11,252	200,872	32,884	15,740	249,496	
Employee benefits	100,900	102,482	214,491	14,135	29,648	461,656	104,366	29,237	595,259	
Supplies	13,693	42,144	32,175	12,896	5,423	106,331	4,536	629	111,496	
Telephone	8,684	8,576	19,848	748	2,354	40,210	6,695	2,166	49,071	
Professional fees and services	108,995	10,823	110,756	937	2,186	233,697	23,853	77,076	334,626	
Insurance	31,787	39,203	54,761	1,824	5,747	133,322	9,122	3,909	146,353	
Repairs and maintenance	40,322	35,994	27,682	13	1,066	105,077	6,114	1,178	112,369	
Food	14,649	35,195	35,360	-	-	85,204	60	519	85,783	
Utilities	25,362	91,277	31,228	-	637	148,504	2,483	765	151,752	
Board of director expenses	631	678	631	631	631	3,202	176	500	3,878	
Postage	509	865	324	-	128	1,826	715	228	2,769	
Printing	1,547	1,686	3,897	-	152	7,282	315	652	8,249	
Equipment rental	124	2,400	4,546	-	32	7,102	(139)	36	6,999	
Travel	3,829	6,506	20,981	-	4,231	35,547	10,919	437	46,903	
Dues and subscriptions	4,487	6,526	12,880	-	113	24,006	142	370	24,518	
Bank charges	1,263	2,709	2,698	-	216	6,886	75	-	6,961	
Public relations	1,946	470	4,272	-	-	6,688	-	4,322	11,010	
Depreciation and amortization	172,752	92,354	34,372	-	258	299,736	831	255	300,822	
Bad debt	18,617	12,416	11,309	-	-	42,342	-	-	42,342	
Interest	9,754	82,180	14,157	-	646	106,737	311	95	107,143	
Real estate taxes	1,837	30,034	-	-	-	31,871	-	-	31,871	
Computer repair and maintenance	14,941	9,573	21,043	-	1,446	47,003	58,369	2,588	107,960	
Marketing	854	-	1,695	-	-	2,549	-	4,931	7,480	
Cost of direct benefit to donors	-	-	-	-	-	-	-	5,147	5,147	
<b>Total expenses by function</b>	<b>1,234,347</b>	<b>1,211,560</b>	<b>2,074,357</b>	<b>166,190</b>	<b>224,176</b>	<b>4,910,630</b>	<b>756,655</b>	<b>382,001</b>	<b>6,049,286</b>	
Less: Expenses included with revenues on the statement of activities:										
Cost of direct benefit to donors	-	-	-	-	-	-	-	(5,147)	(5,147)	
<b>Total expenses included in the expense section on the consolidated statements of activities</b>	<b>\$ 1,234,347</b>	<b>\$ 1,211,560</b>	<b>\$ 2,074,357</b>	<b>\$ 166,190</b>	<b>\$ 224,176</b>	<b>\$ 4,910,630</b>	<b>\$ 756,655</b>	<b>\$ 376,854</b>	<b>\$ 6,044,139</b>	

See accompanying notes to consolidated financial statements.

**180 Degrees, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2021

	Program Services								
	Residential			Community Based Programs					
	Brittany's Place	Clifton Halfway House	Foster Care and Youth Group Homes	Family Preservation Services	Youth Vocational	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 662,791	\$ 543,873	\$ 1,291,614	\$ 71,632	\$ 145,973	\$ 2,715,883	\$ 513,714	\$ 153,104	\$ 3,382,701
Payroll taxes	48,525	39,235	97,131	5,406	10,331	200,628	34,612	10,502	245,742
Employee benefits	92,812	106,624	212,178	7,210	40,550	459,374	106,225	26,286	591,885
Supplies	31,389	51,783	42,327	4,652	4,900	135,051	5,259	989	141,299
Telephone	8,986	14,345	19,601	758	2,040	45,730	7,045	1,958	54,733
Professional fees and services	147,238	63,812	70,362	2,496	2,888	286,796	22,252	1,532	310,580
Insurance	26,215	33,126	52,817	2,077	3,884	118,119	8,836	2,699	129,654
Repairs and maintenance	35,452	36,033	32,597	3,574	1,387	109,043	5,197	1,320	115,560
Food	12,689	30,139	35,828	-	-	78,656	-	-	78,656
Utilities	17,471	56,093	24,271	2	460	98,297	1,791	547	100,635
Board of director expenses	-	-	-	-	-	-	2,905	-	2,905
Postage	541	694	328	14	169	1,746	714	779	3,239
Printing	1,017	1,252	3,919	42	229	6,459	427	1,528	8,414
Equipment rental	-	2,359	4,119	-	-	6,478	-	-	6,478
Travel	3,140	4,509	16,353	6	5,143	29,151	6,648	84	35,883
Dues and subscriptions	19,773	3,741	6,865	-	5	30,384	1,466	1,019	32,869
Bank charges	18,111	531	-	-	-	18,642	-	-	18,642
Public relations	1,330	-	633	-	-	1,963	-	2,960	4,923
Depreciation and amortization	166,683	77,335	26,775	-	-	270,793	-	-	270,793
Bad debt	63,871	798	-	-	990	65,659	-	-	65,659
Interest	76,474	47,509	15,018	-	-	139,001	-	-	139,001
Real estate taxes	1,786	14,781	-	-	-	16,567	-	-	16,567
Computer repair and maintenance	33,455	6,323	22,979	-	158	62,915	53,686	189	116,790
Marketing	-	-	644	-	-	644	-	71,352	71,996
Cost of direct benefit to donors	-	-	-	-	-	-	-	10,504	10,504
<b>Total expenses by function</b>	<b>1,469,749</b>	<b>1,134,895</b>	<b>1,976,359</b>	<b>97,869</b>	<b>219,107</b>	<b>4,897,979</b>	<b>770,777</b>	<b>287,352</b>	<b>5,956,108</b>
Less: Expenses included with revenues on the statement of activities:									
Cost of direct benefit to donors	-	-	-	-	-	-	-	(10,504)	(10,504)
<b>Total expenses included in the expense section on the consolidated statements of activities</b>	<b>\$ 1,469,749</b>	<b>\$ 1,134,895</b>	<b>\$ 1,976,359</b>	<b>\$ 97,869</b>	<b>\$ 219,107</b>	<b>\$ 4,897,979</b>	<b>\$ 770,777</b>	<b>\$ 276,848</b>	<b>\$ 5,945,604</b>

See accompanying notes to consolidated financial statements.

# 180 Degrees, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Change in cash:		
Cash flows from operating activities:		
Change in net assets	\$ 234,466	\$ 870,624
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	300,822	270,793
Bad debt expense	42,342	65,659
Loss on disposal of equipment	15,954	-
New Market Tax Credit loan forgiveness	-	(1,050,149)
Changes in operating assets and liabilities:		
Accounts receivable	(107,150)	(160,465)
Pledges receivable	990	1,000
Prepaid expenses and other assets	(15,824)	22,327
Accounts payable	101,561	(42,972)
Accrued expenses	157,478	3,986
Tenant security deposits	13,920	-
Refundable advance liability	(2,034)	(134,983)
Net cash provided by (used in) in operating activities	742,525	(154,180)
Cash flows from investing activities:		
Purchase of property and equipment	(822,730)	(257,052)
Cash flows from financing activities:		
Proceeds from notes payable	207,117	750,000
Principal payments on capital leases	33,741	(12,545)
Principal payments on notes payable	(150,277)	(579,262)
Net cash provided by financing activities	90,581	158,193
Net change in cash	10,376	(253,039)
Cash and restricted cash at beginning of year	777,966	1,031,005
Cash and restricted cash at end of year	\$ 788,342	\$ 777,966
Cash and restricted cash:		
Cash	\$ 758,317	\$ 777,966
Restricted deposits	30,025	-
Total Cash and restricted cash	\$ 788,342	\$ 777,966
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 107,143	\$ 139,001
New Market Tax Credit loan forgiveness	-	1,050,149
Capital assets acquired with notes payable	156,967	1,709,000

See accompanying notes to consolidated financial statements.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

180 Degrees, Inc. is a multi-cultural nonprofit organization providing emergency shelter, supportive housing, and trauma responsive services so that every person can achieve hope for their future and reach their potential. This is achieved by providing:

- Programming, shelter, and housing to men rebuilding their lives following incarceration
- Programming, shelter, and housing to Minnesota youth at risk for or experiencing sex trafficking and supporting youth serving agencies with training, protocol development, and case management services to identify and support youth experiencing sex trafficking
- Programming, emergency shelter, and supportive housing to youth at risk for or experiencing homelessness, neglect, and family crisis
- Recruiting, training, and supporting foster care families for children in southeast Minnesota
- Providing case management services to youth who have been involved in the juvenile justice system

The wholly-owned subsidiary, Community Re-Entry Services, LLC ("Community Re-Entry Services") is a nonprofit limited liability company that provides residential supervision of sex offenders, including drug and alcohol testing, intensive case management, and assisting the offender in finding long-term housing, and employment.

The wholly-owned subsidiary, Turning Lives Around ("TLA"), a nonprofit corporation, was formed in November 2013 as a 501(c)(2) for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount less expenses to 180 Degrees, Inc., which is exempt under 501(c)(3). TLA was formed in order to obtain financing through New Markets Tax Credits (NMTC) for 180 Degrees, Inc. Youth Development Campus in St. Paul. The land and buildings of the campus were transferred from 180 Degrees, Inc. to TLA, and 180 Degrees, Inc. rents the buildings from TLA.

The primary programs of 180 Degrees, Inc. and Subsidiaries (the "Organization") are:

#### Residential Programs and Services:

*Brittany's Place* - Minnesota's largest shelter and supportive program for girls, 10-17, who are victims of, or at-risk for, sex trafficking. Shelters up to 8 girls on a given night, residing for 30 to 90 days. Additional services include youth outreach, case management, and aftercare for up to 90 days upon program exit.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Nature of Activities (Continued)

Brittany's Place - Transitional Living Program - provides affordable, supportive housing, services, and aftercare for female-identifying young adults, ages 16-20, experiencing housing insecurity, for up to 18 months, or longer under extenuating circumstances. Brittany's Place Transitional Living Program is a community-living program designed to be a stepping stone to more independent, permanent housing. Services include: case management, support to find permanent housing, recovery, advocacy, life skills, financial planning, peer groups, support in finding and keeping employment and/or educational opportunities, as well as social/recreation activities.

Clifton Halfway House - Launched by a formerly incarcerated man, this program is a first-stop residence for 200 Minnesotan men each year exiting prison. Services include: emergency residence, case management, sobriety programs, job placement, life skills, and housing navigation. The shelter serves up to 37 men with stays averaging 60 days.

Foster Care Program - Recruits and provides 24/7 support for foster families and youth across southeast Minnesota. The network provides respite or short/long-term foster care.

Emergency Youth Shelters - Provides 24/7 emergency shelter to youth, ages 10-19 experiencing or at risk of homelessness, exploitation, and crisis. On any night, 180 Degrees, Inc. is providing shelter and services to 40 youth in Chanhassen, Eden Prairie, St. Cloud/Central MN, and Rochester/SE MN. Services include: youth outreach, emergency shelter, case management, life skills, onsite education, and aftercare for up to 90 days.

#### Community Based Programs:

##### SAFE Program:

Safe Program - The SAFE program provides African American-centric prevention and intervention programming for women and their children in St. Paul and Minneapolis who are experiencing domestic violence. Case managers support the family and make important connections to secure food, shelter, transportation, employment, mental and chemical health, and legal aid.

##### Youth Vocational:

All Children Excel (ACE) Program - Provides long-term, comprehensive case management annually for 50 children in Ramsey County, ages 9 and under, who have committed prosecutable offenses. ACE staff can work with these youth until they reach age 18.

Youth Vocational Program - Provides job skill-building, job readiness, and job placement for high risk, high school age youth in 180 Degrees' shelter programs.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Basis of Consolidation

The consolidated financial statements include the accounts of 180 Degrees, Inc. and its wholly-owned subsidiaries, Community Re-Entry Services and Turning Lives Around. All material intercompany transactions and accounts have been eliminated.

#### Basis of Presentation

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

#### Accounts Receivable

Accounts receivable consist primarily of amounts due for program services. The Organization provides an allowance for bad debts, which is based on management's judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectibility. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for bad debts at June 30, 2022 and 2021, was \$33,105 and \$54,112, respectively.

#### Pledges Receivable

Pledges receivable expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. No allowance for pledges receivable is provided since all amounts are deemed collectible.

#### Property and Equipment

All major expenditures for property and equipment exceeding \$5,000 are capitalized at cost. Amortization of assets acquired under capital leases is included in accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	10-40 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Vehicles	5 years

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Participation in Loan

TLA obtained financing through New Markets Tax Credit (NMTC) program. NMTC programs were established as part of the Community Renewal Tax Relief Act of 2000. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. Investors receive the tax credit over a seven year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities.

NMTC financing allows organizations such as 180 Degrees, Inc. and Subsidiaries to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in the NMTC program, TLA has obtained the low-interest loans described in Note 7.

In connection with the NMTC program, Capital City New Markets Fund V Investment Fund, LLC (CCNMFVIF) had borrowed funds from a bank in order to make the loans to the Organization. 180 Degrees, Inc. had purchased a participation in CCNMFVIF's loan from that bank. 180 Degrees, Inc.'s initial participation in the loan totaled \$979,700 while an additional \$1,920,650 was purchased in 2015, totaling \$2,900,350, which was recorded at cost. The Organization received a portion of the interest paid on the debt as a result of the participation. The Organization fully participated in the loan, which could not exceed 95% participation in total.

During the year ended June 30, 2021, the remaining balance of the loan from CCNMFVIF was satisfied with the relinquishment of 180 Degrees, Inc.'s participation in the loan.

#### Net Assets

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

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**Net assets with donor restrictions:** Net assets subject to donor (or certain grantor) imposed restrictions. 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. 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.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

#### Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

**Grant Awards That Are Contributions:** Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.



# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Grant Revenue (Continued)

**Grant Awards That Are Exchange Transactions:** Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

#### Revenue Recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09, applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities for the years ending June 30, 2022 and 2021:

*Program Service Revenue and Government Contracts* - The Organization provides housing and related services for homeless youth and adult men exiting prison. There are various contracts in place over various periods of time, however all services are paid on a per diem basis. Revenue is recognized at over time when the service is rendered and reported at the estimated net realizable amounts from third-party payors and individuals. Beginning receivables were \$520,331 as of July 1, 2020 and ending receivables were \$367,402 and \$453,836 at June 30, 2022 and 2021, respectively; there were no contract assets and liabilities related to charges for services.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited according to estimates made by management. Expenses, except for certain items on a direct allocation basis, are allocated among program and supporting service categories based on the estimated time expended by providers of professional and administrative services in those categories.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes

180 Degrees, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Community Re-Entry Services is a wholly owned limited liability company and is considered a disregarded entity for tax purposes. TLA is exempt from federal income taxes under Section 501(c)(2) of the Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation on unrelated business income. The Organization paid no income tax on unrelated business income in 2022 and 2021.

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

#### Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through November 10, 2022, which is the date the consolidated financial statements were available to be issued.

#### Accounting Pronouncement Adopted

As of July 1, 2021, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets (Topic 958). The amendments in this update requires entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

#### New Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the effects of this ASU on their financial statements.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

### Note 3: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date. Amounts not available include net assets with donor restrictions and pledges receivable greater than one year, less the valuation allowance.

	2022	2021
Financial assets at year-end:		
Cash	\$ 758,317	\$ 777,966
Accounts receivable, net	861,193	796,385
Pledges receivable	-	990
<b>Total financial assets</b>	<b>1,619,510</b>	<b>1,575,341</b>
Less amounts not available to be used within one year:		
Net assets with board designations	(360,000)	(360,000)
Net assets with donor restrictions	(267,958)	(240,000)
<b>Totals</b>	<b>\$ 991,552</b>	<b>\$ 975,341</b>

The Organization does not have a formal investment or cash management policy but generally maintains liquid financial assets sufficient to cover 60 days of general expenditures.

### Note 4: Restricted Deposits

Restricted deposits is a cash amount maintained with a bank in accordance with a loan covenant requirement. The balance was \$30,025 and \$0 for the years ended June 30, 2022 and 2021, respectively.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 5: Concentration of Funding

During the years ended June 30, 2022 and 2021, the Organization's major sources of support and revenue were as follows:

	2022	2021
Federal program funding	\$ 732,201	\$ 471,814
Minnesota Department of Corrections	735,966	831,424
Minnesota Department of Human Services	845,348	785,600
Hennepin County	714,471	489,758
Ramsey County	153,361	121,401

### Note 6: Line of Credit

On March 04, 2022, the Organization entered into a line of credit with Home Federal Savings Bank in the amount of \$600,000 with interest at 3.25%. This line of credit will mature on March 10, 2023. It is collateralized by all business assets. As of June 30, 2022 and 2021, there were no outstanding amounts on the line of credit.

### Note 7: Notes Payable

The Organization had the following notes payable as of June 30, 2022 and 2021:

	2022	2021
CDBG loan	\$ 2,936	\$ 6,749
City of St. Paul Star loan	39,023	54,636
Home Federal Savings Bank - Mortgage Loan	1,212,246	1,255,405
Home Federal Savings Bank - Commercial Loan	719,599	745,203
Home Federal Savings Bank - Construction Loan	156,968	-
TRIO Investments LLC	416,354	428,293
Totals	2,547,126	2,490,286
Less: Current portion	(103,236)	(100,136)
Notes payable, Net of current portion	\$ 2,443,890	\$ 2,390,150

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 7: Notes Payable (Continued)

Required payments of principal on the notes payable at June 30, 2022, including current maturities, are summarized as follows:

2023	\$	103,236
2024		204,019
2025		155,613
2026		95,130
2027		98,604
Thereafter		1,890,524
<hr/>		
Total	\$	2,547,126
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#### CDBG Loan

The Organization has a loan agreement with the North East Neighborhoods Development Corporation with monthly payments of \$331, which include interest at 3%, maturing on March 1, 2023. The note is secured by real property.

#### City of St. Paul Star Loan

The Organization has a loan agreement with the City of St. Paul with monthly payments of \$1,380, which includes interest at 2%, maturing on December 1, 2024. The note is secured by real property.

#### Home Federal Savings Bank - Mortgage Loan

The Organization has a loan agreement with Home Federal Savings Bank with monthly payments of \$7,774, which includes interest at 4%, maturing on December 10, 2030. The note is secured by real property.

#### Home Federal Savings Bank - Commercial Loan

The Organization has a loan agreement with Home Federal Savings Bank with monthly payments of \$4,464, which includes interest at 3.75%, maturing on April 15, 2031. The note is secured by real property.

#### Home Federal Savings Bank - Construction Loan

On 10/12/2021, the Organization entered into a construction loan agreement with Home Federal Savings Bank, which includes interest at 3.50% on the unpaid principal balance. The maximum principal amount of the loan is \$450,000. The full outstanding amount of the loan is repayable upon demand. If no demand is made, principal payments are due on the following schedule, up to the total amount of principal outstanding on each date: \$100,000 on July 5, 2023; \$150,000 on July 5, 2024; and \$150,438 on July 5, 2025.

Advances of \$207,108 and repayments of \$50,141 were made during the year ended June 30, 2022.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 7: Notes Payable (Continued)

#### TRIO Investments, LLC

The Organization has a loan agreement with TRIO Investments, LLC with monthly payments of \$3,109, which includes interest at 6%, maturing on December 1, 2025. The note is secured by real property.

#### Capital City New Market Fund V LLC Loans:

TLA is a qualified active low-income community business (QALICB) pursuant to the NMTC Program under Section 45D of the Internal Revenue Code. TLA had several notes payable consisting of loans provided by community development entities under the NMTC Program. The loan agreement also provided for several nonfinancial and financial covenants to include the following:

Limitations on additional indebtedness.

TLA shall not own additional property and property shall only be used for the project St. Paul Youth Development Campus.

TLA shall not discontinue conducting business nor materially change the nature of the business.

TLA shall maintain a debt service coverage ratio.

TLA had two loan agreements with Capital City New Market Fund V, LLC as follows:

\$3,053,000 loan (Note A) with an interest rate of 3.3656% per annum and interest-only payments due on the 20th day of each month through December 20, 2020. A balloon payment was paid for the remaining outstanding principal and accrued unpaid interest on December 31, 2020, through the process described under future transactions below. The note is secured by a mortgage on real and personal property owned by TLA. No prepayments may be made prior to the end of the NMTC recapture period, which is seven years.

\$1,029,500 loan (Note B) with an interest rate of 3.3656% per annum and interest-only payments due on the 1st day of each month through December 31, 2020. Beginning January 20, 2021, provided Note A has been paid in full, accrued interest and principal payments of \$5,363 per month will be paid through December 31, 2043, which is the maturity date of the loan. A balloon payment will be paid for the remaining outstanding principal and accrued unpaid interest on December 31, 2043. The note is secured by a mortgage on real and personal property owned by TLA. Capital City New Market Fund V, LLC reserves the right, but not the obligation, to sell the note to TLA within six months after the NMTC compliance period (seven years), for a put price of \$1,000.

In the event of a default, the Organization would have been required to purchase additional participations from the bank in an amount equal to the outstanding principal balance of the note less the amount of the participations previously purchased.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 7: Notes Payable (Continued)

As of December 30, 2020, the Organization was the holder of 95% of an interest in a loan from Central Bank to the CDE through the participation agreement described in Note 1. At that time \$142,378, was paid by TLA and the remaining 95% of such loan was then eliminated by common ownership for reporting purposes because the remaining portion of the loan was be owed by TLA to 180 Degrees, Inc. through the participation agreement.

### Note 8: Capital Lease Obligation

The Organization leases office equipment under a capital lease with a monthly payment of \$1,246, with an expiration date of July 2026.

The following is the book value of the leased assets included in property and equipment at June 30, 2022 and 2021:

	2022	2021
Leased assets cost	\$ 62,475	\$ 60,126
Less: Accumulated depreciation	(10,412)	(44,174)
Net book value	\$ 52,063	\$ 15,952

Minimum future lease obligations under the capital lease is as follows at June 30, 2022:

2023		\$ 14,957
2024		14,957
2025		14,957
2026		14,957
2027		1,246
Total		61,074
Less: Amounts representing interest		(8,415)
Present value of minimum lease payments		\$ 52,659

Interest expense recognized under capital leases was \$1,927 and \$1,489 for the years ended June 30, 2022 and 2021, respectively.

# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 9: Refundable Advance Liability

#### North East Neighborhood Development Corporation (NENDC)

The Organization was awarded a conditional grant with the North East Neighborhood Development Corporation (NENDC) on February 22, 2016. The conditions of this grant will be met upon owning the related property until January 28, 2023, using it for the specified program purpose, and complying with the requirements of the HUD Community Development Block Grant (CDBG). In the year the conditions are met, the \$75,000 will be recognized as revenue. The Organization recognized \$75,000 in refundable advance liability for the year ended June 30, 2022, and \$77,034 for the year ended June 30, 2021.

#### Paycheck Protection Program (PPP) Loan

The Organization was awarded \$686,700 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) from legislation passed to assist businesses in navigating the coronavirus pandemic (COVID-19). The Organization has determined the award was a conditional grant in accordance with FASB 958-605 and applied the policy as described in Note 1. Accordingly, the award was reported as a refundable advance liability until the conditions are substantially met or explicitly waived. The Organization interpreted the condition of the award to be the incurrence of eligible expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations. The Organization met the conditions of the award and the full amount of the award was recognized as revenue. The Organization recognized \$0 and \$135,317 as revenue for the years ended June 30, 2022 and June 30, 2021, respectively. The full amount of the loan was forgiven by the SBA in March 2021.

### Note 10: Board Designated Net Assets

The 180 Degrees, Inc. and Subsidiaries's Board of Directors has designated, from net assets without donor restrictions, the below net asset amounts for the following purposes as of June 30:

	2022	2021
Maintenance reserve	\$ 180,000	\$ 180,000
Emergency cash reserve	180,000	180,000
<b>Total</b>	<b>\$ 360,000</b>	<b>\$ 360,000</b>

### Note 11: Net Assets with Donor Restrictions

Net asset balances are restricted by donors for the following purposes as of June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Brittany's Place	\$ 180,000	\$ -
General operating support for Turning Lives Around	87,958	240,000
<b>Totals</b>	<b>\$ 267,958</b>	<b>\$ 240,000</b>



# 180 Degrees, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 11: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Brittany's Place	\$ -	\$ 40,000
General Support - COVID 19	-	54,000
General operating support for Turning Lives Around	152,042	-
<b>Totals</b>	<b>\$ 152,042</b>	<b>\$ 94,000</b>

### Note 12: Employee Benefit Plan

The Organization offers a 401(k) employee benefit plan that offers each eligible employee the opportunity to defer payroll dollars in a pretax, individual 401(k) account up to the maximum allowed by law. The Organization will match 100% of the employee's contributions for the first 3% and will match 50% of the employee's 4th and 5th percent contribution, for a maximum employer match of 4%. Employer contributions were \$79,772 and \$67,529 to the 401(k) plan for the years ended June 30, 2022 and 2021, respectively. The employees' assets are immediately vested in the plan.

### Note 13: Related Parties

The Organization purchased a database and related monthly hosting and support services from a company owned by a member of the Organization's Board of Directors. Monthly hosting and support services were \$6,500 and \$6,000 for the years ending June 30, 2022 and 2021, respectively. Property and equipment recorded on the consolidated statements of financial position was \$158,446 and \$130,150 for the years ending June 30, 2022 and 2021, respectively.

### Note 14: Commitments

The Organization has commitments with contractors as of June 30, 2022 of approximately \$121,000 related to construction projects for Brittany's Place and St. Cloud Youth Shelter.

### Note 15: Subsequent Events

The Organization entered into a \$300,000 note payable agreement with Propel Nonprofits on July 21, 2022, with interest at 3%. Twenty-five percent (25% or \$75,000) of the original unpaid principal balance of the loan shall be forgiven equally \$37,500 on August 16, 2023, and \$37,500 on August 16, 2024, provided the Organization complies with all other terms, conditions and covenants of the loan and any other documents signed with the agreement.

The interest rate will be 0% for the first 6 months, with an interest only payment for the second 6 months, and then with monthly payments of \$4,043 including interest at 3%, maturing on July 16, 2028. The note is secured by real property.

## **Supplementary Information**

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**180 Degrees, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**

June 30, 2022

Assets	180 Degrees, Inc.	Community Re-entry Services	Turning Lives Around	Eliminations	Total
Current assets:					
Cash	\$ 659,475	\$ 96,405	\$ 2,437	\$ -	\$ 758,317
Restricted deposits	30,025	-	-	-	30,025
Accounts receivable, net	843,393	5,347	-	12,453	861,193
Prepaid expenses	17,066	8,333	-	-	25,399
Due from parent/subsidiaries	97,465	-	467,819	(565,284)	-
<b>Total current assets</b>	<b>1,647,424</b>	<b>110,085</b>	<b>470,256</b>	<b>(552,831)</b>	<b>1,674,934</b>
Property and equipment:					
Construction in progress	174,123	-	630,934	-	805,057
Land	34,270	76,800	270,922	-	381,992
Buildings	2,026,243	1,636,398	3,627,575	-	7,290,216
Equipment	622,599	740	-	-	623,339
Furniture and fixtures	75,647	-	-	-	75,647
Vehicles	145,623	-	34,535	-	180,158
<b>Subtotal</b>	<b>3,078,505</b>	<b>1,713,938</b>	<b>4,563,966</b>	<b>-</b>	<b>9,356,409</b>
Less - Accumulated depreciation	(1,753,178)	(65,514)	(1,153,874)	-	(2,972,566)
<b>Net property and equipment</b>	<b>1,325,327</b>	<b>1,648,424</b>	<b>3,410,092</b>	<b>-</b>	<b>6,383,843</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,972,751</b>	<b>\$ 1,758,509</b>	<b>\$ 3,880,348</b>	<b>\$ (552,831)</b>	<b>\$ 8,058,777</b>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Notes payable, current portion	\$ 15,927	\$ 57,622	\$ 29,687	\$ -	\$ 103,236
Capital leases payable, current portion	11,485	-	-	-	11,485
Accounts payable	228,929	18,144	-	-	247,073
Accrued expenses	331,367	-	131,557	-	462,924
Due to parent/subsidiaries	455,366	97,465	-	(552,831)	-
Refundable advance liability	-	-	75,000	-	75,000
<b>Total current liabilities</b>	<b>1,043,074</b>	<b>173,231</b>	<b>236,244</b>	<b>(552,831)</b>	<b>899,718</b>
Long-term liabilities:					
Notes payable, net of current portion	23,095	1,570,980	849,815	-	2,443,890
Capital leases payable, net of current portio	41,174	-	-	-	41,174
Tenant security deposits	-	13,920	-	-	13,920
<b>Total long-term liabilities</b>	<b>64,269</b>	<b>1,584,900</b>	<b>849,815</b>	<b>-</b>	<b>2,498,984</b>
<b>Total liabilities</b>	<b>1,107,343</b>	<b>1,758,131</b>	<b>1,086,059</b>	<b>(552,831)</b>	<b>3,398,702</b>
Net assets (deficit):					
Without donor restrictions:					
Undesignated	1,237,450	378	2,794,289	-	4,032,117
Board designated	360,000	-	-	-	360,000
With donor restrictions	267,958	-	-	-	267,958
<b>Total net assets</b>	<b>1,865,408</b>	<b>378</b>	<b>2,794,289</b>	<b>-</b>	<b>4,660,075</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,972,751</b>	<b>\$ 1,758,509</b>	<b>\$ 3,880,348</b>	<b>\$ (552,831)</b>	<b>\$ 8,058,777</b>

See Independent Auditor's Report.

**180 Degrees, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**

June 30, 2021

Assets	180 Degrees, Inc.	Community Re-entry Services	Turning Lives Around	Eliminations	Total
<b>Current assets:</b>					
Cash	\$ 386,056	\$ 36,485	\$ 355,425	\$ -	\$ 777,966
Accounts receivable, net	779,635	4,296	-	12,454	796,385
Pledges receivable	990	-	-	-	990
Prepaid expenses	7,608	1,967	-	-	9,575
Due from parent/subsidiaries	55,960	-	382,069	(438,029)	-
<b>Total current assets</b>	<b>1,230,249</b>	<b>42,748</b>	<b>737,494</b>	<b>(425,575)</b>	<b>1,584,916</b>
<b>Property and equipment:</b>					
Construction in progress	73,098	-	-	-	73,098
Land	34,270	76,800	270,922	-	381,992
Buildings	2,026,243	1,636,398	3,627,575	-	7,290,216
Equipment	591,955	740	-	-	592,695
Furniture and fixtures	75,647	-	-	-	75,647
Vehicles	174,185	-	34,535	-	208,720
<b>Subtotal</b>	<b>2,975,398</b>	<b>1,713,938</b>	<b>3,933,032</b>	<b>-</b>	<b>8,622,368</b>
Less - Accumulated depreciation	(1,712,005)	(24,604)	(1,007,870)	-	(2,744,479)
<b>Net property and equipment</b>	<b>1,263,393</b>	<b>1,689,334</b>	<b>2,925,162</b>	<b>-</b>	<b>5,877,889</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,493,642</b>	<b>\$ 1,732,082</b>	<b>\$ 3,662,656</b>	<b>\$ (425,575)</b>	<b>\$ 7,462,805</b>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Notes payable, current portion	\$ 15,612	\$ 55,103	\$ 29,421	\$ -	\$ 100,136
Capital leases payable, current portion	12,590	-	-	-	12,590
Accounts payable	133,338	12,174	-	-	145,512
Accrued expenses	305,446	-	-	-	305,446
Due to parent/subsidiaries	369,615	55,960	-	(425,575)	-
<b>Total current liabilities</b>	<b>836,601</b>	<b>123,237</b>	<b>29,421</b>	<b>(425,575)</b>	<b>563,684</b>
<b>Long-term liabilities:</b>					
Notes payable, net of current portion	39,022	1,628,598	722,530	-	2,390,150
Capital leases payable, net of current portion	6,328	-	-	-	6,328
Refundable advance liability	900	1,134	75,000	-	77,034
<b>Total long-term liabilities</b>	<b>46,250</b>	<b>1,629,732</b>	<b>797,530</b>	<b>-</b>	<b>2,473,512</b>
<b>Total liabilities</b>	<b>882,851</b>	<b>1,752,969</b>	<b>826,951</b>	<b>(425,575)</b>	<b>3,037,196</b>
<b>Net assets (deficit):</b>					
<b>Without donor restrictions:</b>					
Undesignated	1,010,791	(20,887)	2,835,705	-	3,825,609
Board designated	360,000	-	-	-	360,000
<b>With donor restrictions</b>	<b>240,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,000</b>
<b>Total net assets</b>	<b>1,610,791</b>	<b>(20,887)</b>	<b>2,835,705</b>	<b>-</b>	<b>4,425,609</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,493,642</b>	<b>\$ 1,732,082</b>	<b>\$ 3,662,656</b>	<b>\$ (425,575)</b>	<b>\$ 7,462,805</b>

See Independent Auditor's Report.

# 180 Degrees, Inc. and Subsidiaries

## Consolidating Statement of Activities

Year Ended June 30, 2022

	180 Degrees, Inc.	Community Re-entry Services	Turning Lives Around	Eliminations	Total
Revenue and support:					
Program service revenue and government contracts	\$ 3,032,811	\$ -	\$ -	\$ -	\$ 3,032,811
Contributions and grants	2,401,695	-	-	-	2,401,695
Capital Campaign Contributions	521,450	-	-	-	521,450
Rental income	12,000	215,285	108,650	(120,650)	215,285
Special event income, net of expenses of \$5,147	14,350	-	-	-	14,350
Other income	45,385	47,629	-	-	93,014
New Market Tax Credit loan forgiveness	-	-	-	-	-
<b>Total revenue and support</b>	<b>6,027,691</b>	<b>262,914</b>	<b>108,650</b>	<b>(120,650)</b>	<b>6,278,605</b>
Expenses:					
Salaries and wages	3,499,029	-	-	-	3,499,029
Payroll taxes	249,496	-	-	-	249,496
Employee benefits	595,259	-	-	-	595,259
Supplies	110,931	565	-	-	111,496
Occupancy	120,650	-	-	(120,650)	-
Telephone	49,071	-	-	-	49,071
Professional fees and services	328,436	4,840	1,350	-	334,626
Insurance	130,313	16,040	-	-	146,353
Repairs and maintenance	103,766	8,603	-	-	112,369
Food	85,783	-	-	-	85,783
Utilities	100,859	50,893	-	-	151,752
Board of director expenses	3,831	47	-	-	3,878
Postage	2,769	-	-	-	2,769
Printing	8,249	-	-	-	8,249
Equipment rental	6,999	-	-	-	6,999
Travel	46,813	90	-	-	46,903
Dues and subscriptions	22,168	2,320	30	-	24,518
Bank charges	6,262	699	-	-	6,961
Public relations	11,010	-	-	-	11,010
Depreciation and amortization	113,908	40,910	146,004	-	300,822
Bad debt	29,926	12,416	-	-	42,342
Interest	31,968	74,330	845	-	107,143
Real estate taxes	258	29,776	1,837	-	31,871
Computer repair and maintenance	107,840	120	-	-	107,960
Marketing	7,480	-	-	-	7,480
<b>Total expenses</b>	<b>5,773,074</b>	<b>241,649</b>	<b>150,066</b>	<b>(120,650)</b>	<b>6,044,139</b>
Change in net assets	254,617	21,265	(41,416)	-	234,466
Net assets at beginning of year	1,610,791	(20,887)	2,835,705	-	4,425,609
<b>Net assets at end of year</b>	<b>\$ 1,865,408</b>	<b>\$ 378</b>	<b>\$ 2,794,289</b>	<b>\$ -</b>	<b>\$ 4,660,075</b>

See Independent Auditor's Report.

# 180 Degrees, Inc. and Subsidiaries

## Consolidating Statement of Activities

Year Ended June 30, 2021

	180 Degrees, Inc.	Community Re-entry Services	Turning Lives Around	Eliminations	Total
Revenue and support:					
Program service revenue and government contracts	\$ 3,001,380	\$ -	\$ -	\$ -	\$ 3,001,380
Contributions and grants	2,561,214	-	-	-	2,561,214
Rental income	12,000	132,496	240,400	(252,400)	132,496
Special event income, net of expenses of \$10,404	3,770	-	-	-	3,770
Other income	66,988	231	-	-	67,219
New Market Tax Credit loan forgiveness	(1,710,156)	-	2,760,305	-	1,050,149
<b>Total revenue and support</b>	<b>3,935,196</b>	<b>132,727</b>	<b>3,000,705</b>	<b>(252,400)</b>	<b>6,816,228</b>
Expenses:					
Salaries and wages	3,382,701	-	-	-	3,382,701
Payroll taxes	245,742	-	-	-	245,742
Employee benefits	591,885	-	-	-	591,885
Supplies	135,657	5,642	-	-	141,299
Occupancy	252,400	-	-	(252,400)	-
Telephone	54,733	-	-	-	54,733
Professional fees and services	309,618	962	-	-	310,580
Insurance	119,053	10,601	-	-	129,654
Repairs and maintenance	104,946	10,614	-	-	115,560
Food	78,656	-	-	-	78,656
Utilities	74,341	26,294	-	-	100,635
Board of director expenses	2,905	-	-	-	2,905
Postage	3,239	-	-	-	3,239
Printing	8,414	-	-	-	8,414
Equipment rental	6,478	-	-	-	6,478
Travel	35,785	98	-	-	35,883
Dues and subscriptions	16,236	1,121	15,512	-	32,869
Bank charges	4,356	-	14,286	-	18,642
Public relations	4,923	-	-	-	4,923
Depreciation and amortization	107,837	23,864	139,092	-	270,793
Bad debt	64,861	798	-	-	65,659
Interest	30,039	39,999	68,963	-	139,001
Real estate taxes	2,044	14,523	-	-	16,567
Computer repair and maintenance	116,760	30	-	-	116,790
Marketing	71,996	-	-	-	71,996
<b>Total expenses</b>	<b>5,825,605</b>	<b>134,546</b>	<b>237,853</b>	<b>(252,400)</b>	<b>5,945,604</b>
Change in net assets	(1,890,409)	(1,819)	2,762,852	-	870,624
Net assets at beginning of year	3,501,200	(19,068)	72,853	-	3,554,985
<b>Net assets at end of year</b>	<b>\$ 1,610,791</b>	<b>\$ (20,887)</b>	<b>\$ 2,835,705</b>	<b>\$ -</b>	<b>\$ 4,425,609</b>

See Independent Auditor's Report.

# 180 Degrees, Inc. and Subsidiaries

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF JUSTICE</b>			
<b>Passed-through Minnesota Department of Public Safety</b>			
Crime Victim Assistance	16.575	N/A	\$ 65,844
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Direct</b>			
Transitional Living for Homeless Youth	93.550	N/A	177,510
<b>Direct</b>			
Basic Center Grant	93.623	N/A	554,691
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 798,045</b>

### Notes to Schedule of Expenditures of Federal Awards

#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of 180 Degrees, Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of operations of 180 Degrees, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets or cash flows of 180 Degrees, Inc. and Subsidiaries.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3 - 10-percent de minimis

180 Degrees, Inc. and Subsidiaries has elected to use the 10-percent de minimis indirect cost rate.

#### Note 4- Subrecipients

180 Degrees, Inc. and Subsidiaries did not use any subrecipients for the year ended June 30, 2022.

See Independent Auditor's Report.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
180 Degrees, Inc. and Subsidiaries  
Minneapolis, MN

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 180 Degrees, Inc. and Subsidiaries (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 180 Degrees, Inc. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 180 Degrees, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of 180 Degrees, Inc. 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 180 Degrees, Inc. and Subsidiaries' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 180 Degrees, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 180 Degrees, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wipfli LLP

Minneapolis, MN  
November 10, 2022

## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
180 Degrees, Inc. and Subsidiaries  
Minneapolis, MN

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited 180 Degrees, Inc. 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 180 Degrees, Inc. and Subsidiaries' major federal program for the year ended June 30, 2022. 180 Degrees, Inc. and Subsidiaries' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 180 Degrees, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

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

We are required to be independent of 180 Degrees, Inc. 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 180 Degrees, Inc. 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, statues, regulations, rules, and provisions of contracts or grant agreements applicable to 180 Degrees, Inc. and Subsidiaries' federal program.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 180 Degrees, Inc. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about 180 Degrees, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 180 Degrees, Inc. 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 180 Degrees, Inc. 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 purposes of expressing an opinion on the effectiveness of 180 Degrees, Inc. 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.

*Wipfli LLP*

Wipfli LLP

Minneapolis, MN  
November 10, 2022

# 180 Degrees, Inc. and Subsidiaries

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

    Material weakness(es) identified?  yes  no

    Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

    Material weakness(es) identified?  yes  no

    Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?  yes  no

Identification of major federal programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
93.623	Basic Center Grant

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
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Auditee qualified as low-risk auditee? No

**180 Degrees, Inc. and Subsidiaries**  
**Schedule of Findings and Questioned Costs (Continued)**

Year Ended June 30, 2022

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**Section II - Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Section IV – Summary of Prior Year Findings**

None