Emerge Community Development

Minneapolis, Minnesota

Consolidated Financial Statements
Auditor's Report
For the Years Ended
December 31, 2018 and 2017

CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55016
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
Emerge Community Development
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Emerge Community Development, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emerge Community Development as of December 31, 2018 and 2017, 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.

Carpenter Evert and Associates Ltd.

Certified Public Accountants

Minneapolis, Minnesota
June 26, 2019

EMERGE COMMUNITY DEVELOPMENT
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions	$ 837,059	$ 524,067	$ 1,361,126	$ 1,353,448	$ 331,042	$ 1,684,490
Government Grants and Contracts	2,673,627	-	2,673,627	4,765,971	-	4,765,971
United Way	556,034	-	556,034	617,262	-	617,262
Program Fees	381,099	-	381,099	128,582	-	128,582
Production and Sales Revenue	2,856,524	-	2,856,524	2,854,561	-	2,854,561
Investment and Other Income	2,469	-	2,469	36,436	-	36,436
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	672,692	(672,692)	-	604,971	(604,971)	-
Satisfaction of Capital Restrictions	-	-	-	511,000	(511,000)	-
Total Support and Revenue	7,979,504	(148,625)	7,830,879	10,872,231	(784,929)	10,087,302
Expense:						
Program Services:						
Workforce	3,190,287	-	3,190,287	4,775,465	-	4,775,465
Social Enterprises	3,107,462	-	3,107,462	3,550,241	-	3,550,241
Villages	204,736	-	204,736	458,112	-	458,112
Total Program Services	6,502,485	-	6,502,485	8,783,818	-	8,783,818
Support Services:						
Management and General	1,185,691	-	1,185,691	1,095,818	-	1,095,818
Fundraising	407,103	-	407,103	399,431	-	399,431
Total Support Services	1,592,794	-	1,592,794	1,495,249	-	1,495,249
Total Expense	8,095,279	-	8,095,279	10,279,067	-	10,279,067
Change in Net Assets	(115,775)	(148,625)	(264,400)	593,164	(784,929)	(191,765)
Net Assets - Beginning of Year	8,271,213	808,987	9,080,200	7,678,049	1,593,916	9,271,965
Net Assets - End of Year	$ 8,155,438	$ 660,362	$ 8,815,800	$ 8,271,213	$ 808,987	$ 9,080,200

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

EXHIBIT B

EMERGE COMMUNITY DEVELOPMENT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2018								2017
	Program Services				Support Services				
	Workforce	Social Enterprises	Villages	Total Program Support	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salary and Wages	$ 1,597,002	$ 921,840	$ 94,119	$ 2,612,961	$ 428,597	$ 219,933	$ 648,530	$ 3,261,491	$ 3,148,968
Benefits	195,764	102,677	11,736	310,177	51,682	26,948	78,630	388,807	436,306
Payroll Taxes	178,525	91,991	8,851	279,367	43,340	21,689	65,029	344,396	291,770
Total Personnel Expense	1,971,291	1,116,508	114,706	3,202,505	523,619	268,570	792,189	3,994,694	3,877,044
Cost of Sales	1,222	1,496,890	-	1,498,112	52	55	107	1,498,219	1,701,561
Professional Fees	272,736	75,806	5,626	354,168	497,166	14,321	511,487	865,655	1,357,778
Occupancy	299,752	189,845	14,945	504,542	34,141	40,694	74,835	579,377	653,623
Participant	254,474	7,286	46,959	308,719	1,657	543	2,200	310,919	954,512
Other Expense	15,907	73,304	1,561	90,772	26,596	9,021	35,617	126,389	780,382
Office Expense	27,449	52,450	957	80,856	19,723	19,723	39,446	120,302	115,541
Transportation	14,926	61,464	1,667	78,057	3,609	395	4,004	82,061	82,525
Staff and Volunteer	20,692	6,078	801	27,571	18,657	10,497	29,154	56,725	179,581
Telecommunication	7,272	21,398	1,937	30,607	4,555	96	4,651	35,258	39,329
Depreciation	304,566	6,433	15,577	326,576	55,916	43,188	99,104	425,680	537,191
Total Expense	$ 3,190,287	$ 3,107,462	$ 204,736	$ 6,502,485	$ 1,185,691	$ 407,103	$ 1,592,794	$ 8,095,279	$ 10,279,067

The accompanying Notes to Consolidated Financial Statements
are an integral part of this statement.

EXHIBIT C

EMERGE COMMUNITY DEVELOPMENT

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Support Services			
	Workforce	Social Enterprises	Villages	Total Program Support	Management & General	Fund-raising	Total Support Services	Total All Services
Salary and Wages	$ 1,502,011	$ 924,008	$ 159,103	$ 2,585,122	$ 344,847	$ 218,999	$ 563,846	$ 3,148,968
Benefits	205,673	127,177	22,644	$ 355,494	50,395	30,417	80,812	436,306
Payroll Taxes	137,779	85,110	14,546	$ 237,435	33,977	20,358	54,335	291,770
Total Personnel Expense	1,845,463	1,136,295	196,293	3,178,051	429,219	269,774	698,993	3,877,044
Cost of Sales	-	1,701,561	-	1,701,561	-	-	-	1,701,561
Professional Fees	666,277	88,912	21,083	776,272	547,895	33,611	581,506	1,357,778
Occupancy	281,398	280,794	30,475	592,667	32,459	28,497	60,956	653,623
Participant	770,077	16,434	162,132	948,643	4,377	1,492	5,869	954,512
Other Expense	691,793	70,182	1,382	763,357	15,029	1,996	17,025	780,382
Office Expense	28,427	56,468	2,837	87,732	10,836	16,973	27,809	115,541
Transportation	13,140	59,876	2,772	75,788	4,795	1,942	6,737	82,525
Staff and Volunteer	139,256	8,939	1,681	149,876	18,996	10,709	29,705	179,581
Telecommunication	8,287	23,935	3,487	35,709	3,350	270	3,620	39,329
Depreciation	331,347	106,845	35,970	474,162	28,862	34,167	63,029	537,191
Total Expense	$ 4,775,465	$ 3,550,241	$ 458,112	$ 8,783,818	$ 1,095,818	$ 399,431	$ 1,495,249	$ 10,279,067

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

EXHIBIT D

EMERGE COMMUNITY DEVELOPMENT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 451,804	$ 491,662
Grants Receivable	93,176	69,825
Accounts Receivable (Net of Allowance for Doubtful Accounts of $7,092 in 2018 and $673,795 in 2017)	1,513,231	1,386,407
Inventory	195,288	124,463
Prepaid Expense	180,503	250,030
Total Current Assets	2,434,002	2,322,387
Other Assets	229,895	239,545
Property and Equipment - Net	7,717,405	8,130,861
TOTAL ASSETS	$ 10,381,302	$ 10,692,793
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 100,642	$ 106,488
Accrued Expenses	328,974	471,505
Notes Payable - Current	570,180	87,254
Deferred Income	17,625	64,270
Total Current Liabilities	1,017,421	729,517
Long-term Liabilities:		
Notes Payable	548,081	883,076
Total Liabilities	1,565,502	1,612,593
Net Assets:		
Without Donor Restrictions:		
Operations	1,294,370	996,689
Property and Equipment	6,861,068	7,274,524
Total Unrestricted	8,155,438	8,271,213
With Donor Restrictions	660,362	808,987
Total Net Assets	8,815,800	9,080,200
TOTAL LIABILITIES AND NET ASSETS	$ 10,381,302	$ 10,692,793

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

EMERGE COMMUNITY DEVELOPMENT
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Change in Net Assets	$ (264,400)	$ (191,765)
Total Adjustments	88,835	747,980
Net Cash Provided (Used) by Operating Activities	(175,565)	556,215
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(12,224)	(803,432)
Net Cash (Used) by Investing Activities	(12,224)	(803,432)
Cash Flows from Financing Activities:		
Proceeds from Notes Payable	235,000	-
Payments on Notes Payable	(87,069)	(86,007)
Net Cash Provided (Used) by Financing Activities	147,931	(86,007)
Net (Decrease) in Cash and Cash Equivalents	(39,858)	(333,224)
Cash and Cash Equivalents - Beginning of Year	491,662	824,886
Cash and Cash Equivalents - End of Year	$ 451,804	$ 491,662

Supplemental Disclosure of Cash Flow Information

	2018	2017
Cash Paid for:		
Interest	$ 35,805	$ 30,338

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Emerge Community Development (Emerge) include the accounts of Emerge Ventures, LLC. and Emerge Enterprises, Inc. Emerge is the sole member of Emerge Ventures, LLC. Emerge Enterprises, Inc. (formally known as Momentum Enterprises, Inc.) is a separate not for profit corporation that was merged into Emerge on August 1, 2015.

Organizational Purpose

The mission of Emerge is *to reveal the potential in people and communities through skill building, employment, and economic opportunity.* This reflects Emerge's commitment to facilitate life change for individuals facing significant obstacles, and a commitment to create broader, systemic change at the community level. Key organizational goals include promoting economic self-sufficiency through a myriad of employment and training programs and by creating jobs and wealth through social enterprise and community development activities.

Emerge serves individuals and families through broad range of programs/enterprises that fall under three integrated units:

Workforce: Training, career counseling, job placement, career laddering, and ongoing support to help participants develop their wage-earning and wealth-building potential, and increase access to professional development.

Social Enterprises: Four distinct operations in retail, staffing, recycling and light manufacturing that provide employment for hard-to-employ adults and at-risk youth while, at the same time, provide high quality services to business and government agencies throughout the Twin Cities.

Villages: Transitional and permanent, supportive housing projects provide a holistic model of human services to support success in ending homelessness by creating safe housing and supportive family-based services.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Emerge, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Land, buildings and equipment are reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – The part of net assets of Emerge resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Accounts Receivable and Doubtful Accounts

Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and Emerge does not charge interest on accounts receivable balances. Emerge reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. Emerge provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Accounts are stated net of the allowance for doubtful accounts of $7,092 and $673,795 at December 31, 2018 and 2017, respectively.

Property and Equipment

Property, equipment and leasehold improvements in excess of $2,500 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method over an estimated useful life as follows:

Building	30	years
Building and Leasehold Improvements	10–40	years
Furniture, Fixtures and Other Equipment	2–10	years
Vehicles	2–5	years

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as without donor restrictions.

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

1. Summary of Significant Accounting Policies (continued)

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Emerge will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Expenses for providing various programs have been summarized on a functional basis. Certain costs have been allocated among programs and supporting services based on best estimates of management.

Income Tax

Emerge Community Development and Emerge Enterprises, Inc. have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and have adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. Emerge's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. Both organizations continue to operate consistent with their original exemption application and each year takes the necessary actions to maintain their exempt status. They have been classified as organizations that are not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, both organizations annually file a Return of Organization Exempt From Income Tax (Form 990).

Risks and Uncertainties

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

1. Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense was $16,178 and $27,872 for the years ended December 31, 2018 and 2017, respectively.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Emerge has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended December 31, 2018 and 2017, as required.

Subsequent Events

Emerge has evaluated the effect that subsequent events would have on the consolidated financial statements through June 26, 2019, which is the date consolidated financial statements were available to be issued.

2. Financial Instruments

Significant Concentrations of Credit Risk

Emerge provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants receivable are from local residents, governments or institutions.

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

At December 31, 2018 and 2017, Emerge held funds at a local financial institution in excess of federally insured limits.

3. Property and Equipment

Emerge owned the following as of:	December 31, 2018	December 31, 2017
Land	$ 467,846	$ 467,846
Buildings	2,107,435	2,107,435
Building Improvements	6,108,397	6,108,397
Furniture, Fixtures and Other Equipment	1,254,402	1,247,313
Vehicles	153,125	147,990
	10,091,205	10,078,981
Less Accumulated Depreciation	2,373,800	1,948,120
	$ 7,717,405	$ 8,130,861

Depreciation expense of $425,680 and $537,191 was recorded for the years ended December 31, 2018 and 2017, respectively.

4. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of:

	December 31, 2018	December 31, 2017
Subject to expenditure for specified purpose:		
Social Enterprises	$ 143,750	$ 75,000
Emerge Workforce	113,133	63,750
Scholarship Fund	79,295	88,945
Facilities	4,167	11,667
Emerge Villages	-	5,000
	340,345	244,362
Subject to passage of time:		
Future Years General Operations	263,017	507,625
Endowments – to be held in perpetuity	57,000	57,000
Total Net Assets With Donor Restrictions	$ 660,362	$ 808,987

5. Grants Receivable

The outstanding balance of grants receivable at December 31, 2018, is expected to be collected over the following fiscal year:

Due in the Year Ending December 31,	
2019	$ 93,176

6. Other Assets

Other Assets were comprised of the following as of:

	December 31,	
	2018	2017
Beneficial interest in The Minneapolis Foundation	$ 136,295	$ 145,945
PPLPUC Limited Liability Partnership – Reserve Balance	93,600	93,600
	$ 229,895	$ 239,545

Emerge maintains a fund with The Minneapolis Foundation. The fund was established by Momentum (prior to merger) and funded by Momentum with the clear understanding that Momentum is to be the beneficiary of the fund. Emerge reports the beneficial interest in the fund as an asset at its estimated fair value.

Emerge has contributed $93,600 to a reserve balance of PPLPUC Limited Liability Partnership. The partnership manages the Camden Apartments facility and Emerge manages a supportive housing program at the facility. The funds are expected to be returned to Emerge before 2036.

7. Leased Facilities and Equipment

Emerge leases office space and equipment at various locations. Rental commitments under the lease agreements in effect at December 31, 2018, total $555,574.

The future annual rental commitments are as follows:

Due in the Year Ending December 31,	
2019	$ 71,002
2020	71,002
2021	63,850
2022	69,944
2023	69,944
2024 and beyond	209,832
Total	$ 555,574

Rental expense for office space was $315,671 and $361,611 for the years ended December 31, 2018 and 2017, respectively.

8. Collaborative Agreements

In January 2009, Emerge became a member of MACC CommonWealth, Inc. (also a nonprofit), an organization formed to deliver a shared solution for meeting the key administrative functions of finance, human resources, information technology, medical billing, facilities and client data management. Emerge recorded expenses of $618,378 and $641,893 for these services in the years ended December 31, 2018 and 2017, respectively.

9. Notes Payable

The breakdown of notes payable was as follows as of:

	December 31, 2018	December 31, 2017
4% note payable due to the City of Minneapolis. Monthly interest only payments of $1,667 through November 1, 2019 and principal and interest payments made thereafter of $3,698 through November 1, 2034.	$ 500,000	$ 500,000
3% note payable due to Hennepin County. Payments of $3,862 that include principal and interest are due monthly beginning October 1, 2017. Final payment of unpaid principal and interest was originally due December 31, 2019. The remaining balance of the note was forgiven by Hennepin County in June 2019.	283,261	320,330
$400,000 variable rate line-of-credit with Wells Fargo Bank, N.A. The line-of-credit expires on August 1, 2019. Interest is due monthly and is calculated at .75% above prime rate. The interest rate at December 31, 2018 was 6.25% The line is secured by all inventory, receivables and equipment of Emerge.	235,000	-
Interest free note due to Project for Pride and Living, Inc. Payments of $50,000 per year are due through 2020.	100,000	150,000
	1,118,261	970,330
Less Portion Due Within One (1) Year	570,180	87,254
Long-term Portion	$ 548,081	$ 883,076

Principal payments required are as follows:

Due in the Year Ending December 31,	
2019	$ 570,180
2020	75,982
2021	26,849
2022	27,943
2023	28,275
2024 and Beyond	389,032
Total	$ 1,118,261

10. Fair Value

In accordance with FASB ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical investments.
Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31:

	2018			
	Level 1	Level 2	Level 3	Total
Other Assets	$ -	$ -	$ 229,895	$ 229,895

	2017			
	Level 1	Level 2	Level 3	Total
Other Assets	$ -	$ -	$ 239,545	$ 239,545

The following information reconciles the beginning and ending balances of fair value measurement using significant unobservable inputs (Level 3). The fair value of the beneficial interest is provided by Minneapolis Foundation based on its valuation of the underlying investments and Emerge’s interest in the fund. The fund holds various investments including fixed income, equity, and alternative investments. The alternative investments are stated at the fair value estimates of the investment managers in the absence of readily determinable values. A summary of change in valuations in the years ended December 31:

	2018	2017
Beginning Balance	$ 239,545	$ 207,798
Change in Beneficial Interest Valuation	(9,650)	31,747
Ending Balance	$ 229,895	$ 239,545

11. Pension Plan

Emerge has a defined contribution plan that covers those employees who meet eligibility requirements. Employer contributions of $121,791 and $111,865 were made in the years ended December 31, 2018 and 2017, respectively.

12. Endowment Funds

Description

Endowment funds consist of a donor restricted endowment held at The Minneapolis Foundation (the Thomas M. Dale-Dain Bosworth Scholarship Fund).

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Emerge classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Emerge in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Emerge considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Emerge and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Emerge
7. The investment policies of Emerge

Return Objectives

Emerge is subject to the investment policy of The Minneapolis Foundation. The fund’s objective is long term growth.

12. Endowment Funds (continued)

Endowment Net Asset Composition by Type of Fund

As of December 31, 2018:	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 57,000	$ 57,000
Accumulated investment gains To be used for specific purpose	-	79,295	79,295
	$ -	$ 136,295	$ 136,295

As of December 31, 2017:	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 57,000	$ 57,000
Accumulated investment gains To be used for specific purpose	-	88,945	88,945
	$ -	$ 145,945	$ 145,945

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets December 31, 2016	$ -	$ 114,198	$ 114,198
Change in Fair Value of Beneficial Interest in Funds Held by Others	-	31,747	31,747
Appropriation for Expenditure	-	-	-
Net Assets December 31, 2017	-	145,945	145,945
Change in Fair Value of Beneficial Interest in Funds Held by Others	-	(9,650)	(9,650)
Appropriation for Expenditure	-	-	-
Net Assets December 31, 2018	$ -	$ 136,295	$ 136,295

13. Liquidity and Availability

The following represents Emerge's financial assets at December 31, 2018:

Financial Assets:	
Cash and Cash Equivalents	$ 451,804
Accounts Receivable	1,513,231
Grants Receivable	93,176
Total Financial Assets	2,058,211
Less assets not available to be used for general expenditures within one year:	
Net Assets With Donor Restrictions	603,362
Net Assets With Restrictions to be met within a year	(528,362)
Total assets not available for general expenditures within one year:	75,000
Financial assets available for general expenditures within one year	$ 1,983,211

Emerge maintains a $400,000 line-of-credit with Wells Fargo Bank to aid in liquidity. Net assets with donor restrictions are removed from financial assets available for general expenditures within one year if it is likely that the restriction will not be satisfied during normal operations in 2019.

As part of Emerge's liquidity plan, Emerge has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

14. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	December 31,	
	2018	2017
Depreciation	$ 425,680	$ 537,191
Other Assets	9,650	(31,747)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(5,846)	(60,922)
Accrued Expenses	(142,531)	151,583
Deferred Income	(46,645)	34,256
Decreases (Increases) in Current Assets:		
Grants Receivable	(23,351)	219,011
Accounts Receivable	(126,824)	(136,747)
Inventory	(70,825)	(10,676)
Prepaid Expense	69,527	46,031
Total Adjustments	$ 88,835	$ 747,980