180 Degrees, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022

180 DEGREES

WIPFLI

180 Degrees, Inc. and Subsidiaries

Years Ended June 30, 2023 and 2022

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WIPFLI

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, 2023 and 2022, 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, 2023 and 2022, 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 September 28, 2023 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

Duluth, Minnesota
September 28, 2023

180 Degrees, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash	$ 703,220	$ 758,317
Restricted deposits	64,924	30,025
Construction escrow	391,042	-
Accounts receivable, net	989,453	861,193
Pledges receivable	31,420	-
Prepaid expenses	46,375	25,399
Total current assets	2,226,434	1,674,934
Property and equipment:		
Construction in progress	2,636,356	805,057
Land	381,992	381,992
Buildings	8,175,768	7,290,216
Equipment	353,503	623,339
Furniture and fixtures	42,499	75,647
Vehicles	263,791	180,158
Subtotal	11,853,909	9,356,409
Less - Accumulated depreciation	(3,023,415)	(2,972,566)
Net property and equipment	8,830,494	6,383,843
Other assets:		
Pledges receivable, net of current portion	15,410	-
Right of use assets - finance lease	39,568	-
Total other assets	54,978	-
TOTAL ASSETS	$ 11,111,906	$ 8,058,777

See accompanying notes to consolidated financial statements.

180 Degrees, Inc. and Subsidiaries

Consolidated Statements of Financial Position (Continued)

June 30, 2023 and 2022

Liabilities and Net Assets	**2023**	**2022**
Current liabilities:		
Notes payable, current portion	$ 1,105,121	$ 103,236
Line of credit payable	434,314	-
Finance leases payable, current portion	12,353	11,485
Accounts payable	557,977	247,073
Retainage payable	71,740	-
Accrued expenses	517,861	462,924
Deferred revenue	11,700	-
Refundable advance liability	-	75,000
Total current liabilities	2,711,066	899,718
Long-term liabilities:		
Notes payable, net of current portion and debt issuance costs	2,613,244	2,443,890
Finance leases payable, net of current portion	28,820	41,174
Tenant security deposits	15,621	13,920
Total long-term liabilities	2,657,685	2,498,984
Total liabilities	5,368,751	3,398,702
Net assets:		
Without donor restrictions:		
Undesignated	5,202,905	4,032,117
Board designated	360,000	360,000
With donor restrictions	180,250	267,958
Total net assets	5,743,155	4,660,075
TOTAL LIABILITIES AND NET ASSETS	$ 11,111,906	$ 8,058,777

See accompanying notes to consolidated financial statements.

180 Degrees, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue and support:						
Program service revenue and government contracts	$ 2,980,994	$ -	$ 2,980,994	$ 3,032,811	$ -	$ 3,032,811
Contributions and grants	4,365,350	231,525	4,596,875	2,221,695	180,000	2,401,695
Capital Campaign Contributions	524,569	-	524,569	521,450	-	521,450
Contributed nonfinancial assets	1,186,258	-	1,186,258	12,200	-	12,200
Rental income	147,726	-	147,726	215,285	-	215,285
Special event income, net	158,637	-	158,637	2,150	-	2,150
Other income	121,981	-	121,981	93,014	-	93,014
Net assets released from restrictions	319,233	(319,233)	-	152,042	(152,042)	-
Total revenue and support	9,804,748	(87,708)	9,717,040	6,250,647	27,958	6,278,605
Expenses:						
Program services	7,220,648	-	7,220,648	4,910,630	-	4,910,630
Supporting services:						
Management and general	928,579	-	928,579	756,655	-	756,655
Fundraising	484,733	-	484,733	376,854	-	376,854
Total expenses	8,633,960	-	8,633,960	6,044,139	-	6,044,139
Change in net assets	1,170,788	(87,708)	1,083,080	206,508	27,958	234,466
Net assets at beginning of year	4,392,117	267,958	4,660,075	4,185,609	240,000	4,425,609
Net assets at end of year	$ 5,562,905	$ 180,250	$ 5,743,155	$ 4,392,117	$ 267,958	$ 4,660,075

See accompanying notes to consolidated financial statements.

180 Degrees, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	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	$ 993,857	$ 742,481	$ 1,556,886	$ 124,434	$ 124,840	$ 3,542,498	$ 606,113	$ 277,344	$ 4,425,955
Payroll taxes	73,889	53,738	116,315	8,976	9,572	262,490	38,387	19,474	320,351
Employee benefits	99,282	94,621	202,933	10,296	15,822	422,954	142,957	37,259	603,170
Supplies	26,414	42,306	48,849	11,283	3,175	132,027	5,421	516	137,964
Telephone	12,004	9,208	20,331	396	1,507	43,446	6,748	2,081	52,275
Professional fees and services	120,130	124,160	148,118	715	3,243	396,366	19,661	97,709	513,736
Insurance	28,637	41,814	64,434	2,864	7,159	144,908	10,023	4,296	159,227
Repairs and maintenance	39,151	44,467	24,638	-	438	108,694	5,441	447	114,582
Food	19,596	46,064	54,952	-	12	120,624	-	-	120,624
Utilities	29,172	92,451	34,578	-	502	156,703	1,932	595	159,230
Board of director expenses	12,850	396	396	396	396	14,434	1,386	-	15,820
Postage	80	839	54	-	20	993	210	171	1,374
Printing	2,118	1,695	3,296	-	157	7,266	516	4,673	12,455
Equipment rental	42	2,638	2,216	-	11	4,907	112	94	5,113
Travel	9,851	8,699	27,583	-	5,017	51,150	12,341	2,011	65,502
Dues and subscriptions	7,715	10,460	18,638	-	-	36,813	18,248	4,714	59,775
Bank charges	-	5	-	-	7,199	7,204	-	-	7,204
Public relations	46,993	434,722	707,772	-	-	1,189,487	63	28,169	1,217,719
Depreciation and amortization	198,528	105,975	35,020	-	346	339,869	995	306	341,170
Bad debt	29,164	1,635	905	-	-	31,704	-	-	31,704
Interest	21,138	82,032	17,746	-	891	121,807	123	38	121,968
Real estate taxes	1,837	29,388	-	-	-	31,225	-	-	31,225
Computer repair and maintenance	16,338	8,254	27,421	-	66	52,079	57,792	432	110,303
Marketing	900	-	100	-	-	1,000	110	4,404	5,514
Cost of direct benefit to donors	-	-	-	-	-	-	-	54,610	54,610
Total expenses by function	1,789,686	1,978,048	3,113,181	159,360	180,373	7,220,648	928,579	539,343	8,688,570
Less: Expenses included with revenues on the statement of activities:									
Cost of direct benefit to donors	-	-	-	-	-	-	-	(54,610)	(54,610)
Total expenses included in the expense section on the consolidated statements of activities	$ 1,789,686	$ 1,978,048	$ 3,113,181	$ 159,360	$ 180,373	$ 7,220,648	$ 928,579	$ 484,733	$ 8,633,960

See accompanying notes to consolidated financial statements.

180 Degrees, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	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	$ 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
Total expenses by function	1,234,347	1,211,560	2,074,357	166,190	224,176	4,910,630	756,655	382,001	6,049,286
Less: Expenses included with revenues on the statement of activities:									
Cost of direct benefit to donors	-	-	-	-	-	-	-	(5,147)	(5,147)
Total expenses included in the expense section on the consolidated statements of activities	$ 1,234,347	$ 1,211,560	$ 2,074,357	$ 166,190	$ 224,176	$ 4,910,630	$ 756,655	$ 376,854	$ 6,044,139

See accompanying notes to consolidated financial statements.

180 Degrees, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Change in cash:		
Cash flows from operating activities:		
Change in net assets	$ 1,083,080	$ 234,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	341,170	300,822
Bad debt expense	31,704	42,342
(Gain)/loss on sale of property and equipment	(300)	15,954
Changes in operating assets and liabilities:		
Accounts receivable	(159,964)	(107,150)
Pledges receivable	(46,830)	990
Prepaid expenses and other assets	(20,976)	(15,824)
Accounts payable	310,904	101,561
Accrued expenses	54,937	157,478
Tenant security deposits	1,701	13,920
Deferred revenue	11,700	-
Refundable advance liability	(75,000)	(2,034)
Net cash provided by operating activities	1,532,126	742,525
Cash flows from investing activities:		
Purchase of property and equipment	(2,755,649)	(822,730)
Proceeds on sale of property and equipment	300	-
Net cash used in investing activities	(2,755,349)	(822,730)
Cash flows from financing activities:		
Proceeds from notes payable	1,430,768	207,117
Payment of debt issuance costs	(51,765)	-
Proceeds from line of credit	434,314	-
Principal payments on finance leases	(11,486)	33,741
Principal payments on notes payable	(207,764)	(150,277)
Net cash provided by financing activities	1,594,067	90,581
Net change in cash	370,844	10,376
Cash and restricted cash at beginning of year	788,342	777,966
Cash and restricted cash at end of year	$ 1,159,186	$ 788,342
Cash and restricted cash:		
Cash	$ 703,220	$ 758,317
Restricted deposits	64,924	30,025
Construction escrow	391,042	
Total Cash and restricted cash	$ 1,159,186	$ 788,342
Supplemental cash flow information:		
Cash paid during the year for interest	$ 121,968	$ 107,413
Capital assets acquired with notes payable	-	156,967
Capital assets acquired through accounts payable	71,740	-

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (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.

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, 2023 and 2022, was $45,940 and $33,105, 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

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting

The Organization is a lessee in multiple noncancelable financing leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election for equipment, furniture and fixtures, and vehicles to not separate the lease components of a contract and its associated non-lease components (such as lessor-provided maintenance and other services). For all other underlying classes of assets, the Organization separates lease and non-lease components to determine the lease payment.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Grant Revenue (Continued)

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.

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 Stands 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, 2023 and 2022:

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 $453,836 as of July 1, 2022 and ending receivables were $277,936 and $367,402 at June 30, 2023 and 2022, 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 2023 and 2022.

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 September 28, 2023, which is the date the consolidated financial statements were available to be issued.

Change in Accounting Policy

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended June 30, 2023 with modified retrospective application to July 1, 2022 through a cumulative-effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Company did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy (Continued)

This standard did not have a material impact on the Organization's net assets or cash flows from operations and had an immaterial impact on the Organization's operating results.

As of January 1, 2022, 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.

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, 2023 and 2022, 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.

	2023	2022
Financial assets at year-end:		
Cash	$ 703,220	$ 758,317
Accounts receivable, net	989,453	861,193
Pledges receivable	31,420	-
Total financial assets	1,724,093	1,619,510
Less amounts not available to be used within one year:		
Net assets with board designations	(360,000)	(360,000)
Net assets with donor restrictions	(180,250)	(267,958)
Totals	$ 1,183,843	$ 991,552

Note 3: Liquidity and Availability of Financial Resources (Continued)

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 include a cash amount maintained with a bank in accordance with a loan covenant requirement. The balance was $64,924 and $30,025 for the years ended June 30, 2023 and 2022, respectively.

The Organization also hold funds in an escrow account in accordance with a construction loan covenant requirement beginning in 2023. The balance was $391,042 as of June 30, 2023.

Note 5: Concentration of Funding

During the years ended June 30, 2023 and 2022, the Organization's major sources of support and revenue were as follows:

	2023	2022
Federal program funding	$ 1,065,943	$ 732,201
Minnesota Department of Corrections	755,092	735,966
Minnesota Department of Human Services	2,299,665	845,348
Hennepin County	920,358	714,471
Ramsey County	97,863	153,361
Outfront Advertising - in-kind	1,186,258	-

Note 6: Line of Credit

On March 4, 2022, the Organization entered into a line of credit with Home Federal Savings Bank in the amount of $600,000 with interest at 0.5% over the index rate, which results in an interest rate of 8.75% at June 30, 2023. This line of credit will mature in July 2024. It is collateralized by all business assets. As of June 30, 2023, the outstanding balance on the line of credit was $434,314. There was no outstanding balance at June 30, 2022.

Note 7: Notes Payable

The Organization had the following notes payable as of June 30:

	2023	2022
Propel Nonprofits	$ 300,000	$ -
Propel Nonprofits - Mortgage Loan	900,000	-
CDBG loan	-	2,936
City of St. Paul Star loan	23,096	39,023
Home Federal Savings Bank - Mortgage Loan	1,167,302	1,212,246
Home Federal Savings Bank - Commercial Loan	692,848	719,599
Home Federal Savings Bank - Construction Loan	181,512	156,968
Home Federal Savings Bank - Generator Loan	59,513	-
TRIO Investments LLC	403,679	416,354
Ally Financial Loan	16,218	-
Stearns Bank Construction Loan	25,962	-
Debt issuance costs	(51,765)	-
Totals	3,718,365	2,547,126
Less: Current portion	(1,105,121)	(103,236)
Notes payable, Net of current portion	$ 2,613,244	$ 2,443,890

Required payments of principal on the notes payable at June 30, 2023, including current maturities, are summarized as follows:

2024	$ 1,105,121
2025	330,308
2026	184,861
2027	156,935
2028	160,092
Thereafter	1,832,813
Total	$ 3,770,130

Propel Nonprofits Loan

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.

Note 7: Notes Payable (Continued)

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.

Propel Nonprofits Mortgage Loan

The Organization entered into a $900,000 note payable agreement with Propel Nonprofits on June 1, 2023, with interest at 7.25%, with interest only payments for the first eleven months then one final installment payment of all principal and unpaid interest on June 2, 2024. The note is secured by real property.

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. This loan was paid off during the year ended June 30, 2023.

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 October 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 $124,545 and repayments of $100,000 were made during the year ended June 30, 2023.

Note 7: Notes Payable (Continued)

Home Federal Savings Bank - Generator Loan

The Organization has a loan agreement dated January 27, 2023 for $62,500 with Home Federal Savings Bank with monthly payments of $933, which includes interest at 6.56%, maturing on January 27, 2030. The note is secured by a generator.

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.

Ally Financial Loan

The Organization has a loan agreement dated January 27, 2023 for $17,761 with Ally Financial with monthly payments of $452, including interest at 9.99%, maturing on February 27, 2030. The note is secured by a vehicle.

Stearns Bank Construction Loan

On May 19, 2023, the Organization entered into a construction loan agreement with Stearns Bank, which includes interest at the Wall Street Journal Prime Rate plus .5 (8.75% at June 30, 2023) on the unpaid principal balance. The maximum principal amount of the loan is $1,507,200. The full outstanding amount of the loan is repayable upon demand. If no demand is made, the outstanding principal and interest are due November 19, 2024. Intrest only payments are due monthly until maturity.

Advances of $25,962 were made during the year ended June 30, 2023.

Note 8: Leases

The Organization leases office equipment. The lease does not include an option to renew. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include only fixed payments.

Components of lease expense were as follows for the year ended June 30, 2023:

Lease cost		
Finance lease cost:		
Interest	$	3,472
Amortization of right-of-use asset		12,495
Total lease cost	$	15,967

Note 8: Leases (Continued)

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	$	11,486

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Weighted-average remaining lease term - Finance leases	3.09 years
Weighted-average discount rate - Finance leases	7.32 %

Maturities of lease liabilities are as follows as of June 30, 2023:

		Finance leases
2024	$	14,956
2025		14,956
2026		14,956
2027		1,247
Total lease payments		46,115
Less imputed interest		(4,942)
Total	$	41,173

Leases under ASC 840

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

Note 9: Refundable Advance Liability

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. The conditions were met during the year ended June 30, 2023, and therefore the $75,000 was recognized as revenue.

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:

	2023	2022
Maintenance reserve	$ 180,000	$ 180,000
Emergency cash reserve	180,000	180,000
Total	$ 360,000	$ 360,000

Note 11: Net Assets with Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose:		
Brittany's Place	$ 75,000	$ 180,000
Capital support	73,725	-
General operating support for Turning Lives Around	-	87,958
Total subject to expenditure for specified purpose	148,725	267,958
Subject to the passage of time:		
General operating support for fiscal year 2024	21,025	-
General operating support for fiscal year 2025	10,500	-
Total subject to the passage of time	31,525	-
Total net assets with donor restrictions	$ 180,250	$ 267,958

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:

	2023	2022
Subject to expenditure for specified purpose:		
Brittany's Place	$ 105,000	$ -
Capital support	126,275	-
General operating support for Turning Lives Around	87,958	152,042
Totals	$ 319,233	$ 152,042

Note 12: Contributed Nonfinancial Assets

The Organization recognized $1,186,258 in donated advertising serives for the year ended June 30, 2023. The Organization recognizes contributed nonfinancial assets within revenue and public relations expense on the statement of functional expenses. Unless otherwise noted, contributed nonfinancial assets did not have donorimposed restrictions. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates from the donating agency.

Note 13: 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 $98,051 and $79,772 to the 401(k) plan for the years ended June 30, 2023 and 2022, respectively. The employees' assets are immediately vested in the plan.

Note 14: 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 $8,400 and $6,500 for the years ending June 30, 2023 and 2022, respectively. Property and equipment recorded on the consolidated statements of financial position was $179,350 and $158,446 for the years ending June 30, 2023 and 2022, respectively. In addition, during the year ended June 30, 2023 the Organization purchased shelter renovation costs from a company owned by a member of the Organization's Board of Directors that are included in construction in progress on the consolidated statement of financial position for $1,434,790 at June 30, 2023.

Note 15: Commitments

The Organization has commitments with contractors as of June 30, 2023 of approximately $2,143,500 related to construction projects for St. Cloud Youth Shelter, Clifton Place, and Von Wald Youth Shelter.

Supplementary Information

180 Degrees, Inc. and Subsidiaries

Consolidating Statement of Financial Position

June 30, 2023

Assets	180 Degrees, Inc.	Community Re-entry Services	Turning Lives Around	Eliminations	Total
Current assets:					
Cash	$ 613,052	$ 84,575	$ 5,593	$ -	$ 703,220
Restricted deposits	64,924	-	-	-	64,924
Construction escrow	391,042	-	-	-	391,042
Accounts receivable, net	975,301	14,152	-	-	989,453
Pledges receivable, current portion	31,420	-	-	-	31,420
Prepaid expenses	38,729	7,646	-	-	46,375
Due from parent/subsidiaries	173,396	-	342,827	(516,223)	-
Total current assets	2,287,864	106,373	348,420	(516,223)	2,226,434
Property and equipment:					
Construction in progress	2,636,356	-	-	-	2,636,356
Land	34,270	76,800	270,922	-	381,992
Buildings	2,086,034	1,636,398	4,453,336	-	8,175,768
Equipment	352,763	740	-	-	353,503
Furniture and fixtures	42,499	-	-	-	42,499
Vehicles	229,256	-	34,535	-	263,791
Subtotal	5,381,178	1,713,938	4,758,793	-	11,853,909
Less - Accumulated depreciation	(1,597,709)	(106,424)	(1,319,282)	-	(3,023,415)
Net property and equipment	3,783,469	1,607,514	3,439,511	-	8,830,494
Other assets:					
Pledges receivable, net of current portion	15,410	-	-	-	15,410
Right of use asset - finance lease	39,568	-	-	-	39,568
Total other assets	54,978	-	-	-	54,978
TOTAL ASSETS	$ 6,126,311	$ 1,713,887	$ 3,787,931	$ (516,223)	$ 11,111,906
Liabilities and Net Assets					
Current liabilities:					
Notes payable, current portion	$ 957,837	$ 60,134	$ 87,150	$ -	$ 1,105,121
Line of credit payable	434,314	-	-	-	434,314
Finance leases payable, current portion	12,353	-	-	-	12,353
Accounts payable	546,436	11,541	-	-	557,977
Retainage payable	71,740	-	-	-	71,740
Accrued expenses	408,929	-	108,932	-	517,861
Deferred revenue	10,500	1,200	-	-	11,700
Due to parent/subsidiaries	342,827	173,396	-	(516,223)	-
Total current liabilities	2,784,936	246,271	196,082	(516,223)	2,711,066
Long-term liabilities:					
Notes payable, net of current portion and debt issuance costs	255,674	1,510,847	846,723	-	2,613,244
Finance leases payable, net of current port	28,820	-	-	-	28,820
Tenant security deposits	3,775	11,846	-	-	15,621
Total long-term liabilities	288,269	1,522,693	846,723	-	2,657,685
Total liabilities	3,073,205	1,768,964	1,042,805	(516,223)	5,368,751
Net assets (deficit):					
Without donor restrictions:					
Undesignated	2,512,856	(55,077)	2,745,126	-	5,202,905
Board designated	360,000	-	-	-	360,000
With donor restrictions	180,250	-	-	-	180,250
Total net assets	3,053,106	(55,077)	2,745,126	-	5,743,155
TOTAL LIABILITIES AND NET ASSETS	$ 6,126,311	$ 1,713,887	$ 3,787,931	$ (516,223)	$ 11,111,906

See Independent Auditor's Report.

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)	-
Total current assets	1,647,424	110,085	470,256	(552,831)	1,674,934
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
Subtotal	3,078,505	1,713,938	4,563,966	-	9,356,409
Less - Accumulated depreciation	(1,753,178)	(65,514)	(1,153,874)	-	(2,972,566)
Net property and equipment	1,325,327	1,648,424	3,410,092	-	6,383,843
TOTAL ASSETS	$ 2,972,751	$ 1,758,509	$ 3,880,348	$ (552,831)	$ 8,058,777
Liabilities and Net Assets					
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
Total current liabilities	1,043,074	173,231	236,244	(552,831)	899,718
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 portion	41,174	-	-	-	41,174
Tenant security deposits	-	13,920	-	-	13,920
Total long-term liabilities	64,269	1,584,900	849,815	-	2,498,984
Total liabilities	1,107,343	1,758,131	1,086,059	(552,831)	3,398,702
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
Total net assets	1,865,408	378	2,794,289	-	4,660,075
TOTAL LIABILITIES AND NET ASSETS	$ 2,972,751	$ 1,758,509	$ 3,880,348	$ (552,831)	$ 8,058,777

See Independent Auditor's Report.

180 Degrees, Inc. and Subsidiaries

Consolidating Statement of Activities

Year Ended June 30, 2023

	180 Degrees, Inc.	Community Re-entry Services	Turning Lives Around	Eliminations	Total
Revenue and support:					
Program service revenue and government contracts	$ 2,980,994	$ -	$ -	$ -	$ 2,980,994
Contributions and grants	4,521,875	-	75,000	-	4,596,875
Capital Campaign Contributions	524,569	-	-	-	524,569
Rental income	-	147,726	108,650	(108,650)	147,726
Special event income, net of expenses of $54,610	1,344,895	-	-	-	1,344,895
Other income	102,562	18,441	978	-	121,981
Total revenue and support	9,474,895	166,167	184,628	(108,650)	9,717,040
Expenses:					
Salaries and wages	4,425,955	-	-	-	4,425,955
Payroll taxes	320,351	-	-	-	320,351
Employee benefits	603,170	-	-	-	603,170
Supplies	137,819	145	-	-	137,964
Occupancy	108,650	-	-	(108,650)	-
Telephone	52,275	-	-	-	52,275
Professional fees and services	506,639	5,597	1,500	-	513,736
Insurance	143,187	16,040	-	-	159,227
Repairs and maintenance	70,164	5,565	38,853	-	114,582
Food	120,624	-	-	-	120,624
Utilities	107,804	48,442	2,984	-	159,230
Board of director expenses	3,366	-	12,454	-	15,820
Postage	1,374	-	-	-	1,374
Printing	12,455	-	-	-	12,455
Equipment rental	5,113	-	-	-	5,113
Travel	65,502	-	-	-	65,502
Dues and subscriptions	57,645	1,060	1,070	-	59,775
Bank charges	7,199	5	-	-	7,204
Public relations	1,217,719	-	-	-	1,217,719
Depreciation and amortization	134,852	40,910	165,408	-	341,170
Bad debt	30,069	1,635	-	-	31,704
Interest	39,310	72,973	9,685	-	121,968
Real estate taxes	258	29,130	1,837	-	31,225
Computer repair and maintenance	110,183	120	-	-	110,303
Marketing	5,514	-	-	-	5,514
Total expenses	8,287,197	221,622	233,791	(108,650)	8,633,960
Change in net assets	1,187,698	(55,455)	(49,163)	-	1,083,080
Net assets at beginning of year	1,865,408	378	2,794,289	-	4,660,075
Net assets at end of year	$ 3,053,106	$ (55,077)	$ 2,745,126	$ -	$ 5,743,155

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	-	-	-		-
Total revenue and support	6,027,691	262,914	108,650	(120,650)	6,278,605
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
Total expenses	5,773,074	241,649	150,066	(120,650)	6,044,139
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
Net assets at end of year	$ 1,865,408	$ 378	$ 2,794,289	$ -	$ 4,660,075

See Independent Auditor's Report.

180 Degrees, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Entity Identifying Number		Federal Expenditures
DEPARTMENT OF JUSTICE				
Passed-through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	N/A	**$**	**71,946**
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct				
Transitional Living for Homeless Youth	93.550	N/A		**208,163**
Direct				
Basic Center Grant	93.623	N/A		**857,780**
TOTAL FEDERAL EXPENDITURES			**$**	**1,137,889**

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, 2023. 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, 2023.

See Independent Auditor's Report.

WIPFLI

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, 2023 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 September 28, 2023.

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.

Wipfli LLP

Wipfli LLP

Duluth, MN
September 28, 2023

WIPFLI

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, 2023. 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, 2023.

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

Duluth, MN
September 28, 2023

180 Degrees, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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 _x_ no
Significant deficiency(ies) identified?	___ yes _x_ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified?	___ yes _x_ 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 _x_ no

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
93.623	Basic Center Grant

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

Federal $750,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Findings

None