

**Brain Injury Association of Minnesota
DBA: Minnesota Brain Injury Alliance
and Consolidated Affiliate**

Consolidated Financial Statements and
Supplementary Information

December 31, 2022 and 2021

Brain Injury Association of Minnesota
DBA: Minnesota Brain Injury Alliance and Consolidated Affiliate

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December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
Brain Injury Association of Minnesota
DBA: Minnesota Brain Injury Alliance and
Consolidated Affiliate (Minnesota Stroke Association)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance and Affiliate (Minnesota Stroke Association) (the Alliance), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the Alliance's consolidated financial statements present fairly, in all material respects, the financial position of the Alliance as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Alliance 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 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 the Alliance's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 16 to 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and is 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 consolidating 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 GAAS. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Minneapolis, Minnesota
April 12, 2023

Brain Injury Association of Minnesota
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Consolidated Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 5,192,813	\$ 5,286,456
Accounts receivable, net of allowance for doubtful accounts of \$75,000 in 2022 and \$90,000 in 2021	461,555	347,765
Grants receivable	78,601	64,553
Prepaid expenses and other assets	64,874	45,280
Investments	1,750,000	1,750,000
Other assets	35,800	35,800
Right of use asset, operating	979,057	-
	<u>8,562,700</u>	<u>7,529,854</u>
Total assets	\$ 8,562,700	\$ 7,529,854
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 20,403	\$ 12,791
Accrued expenses	255,660	247,838
Prepaid memberships	1,304	1,595
Deferred revenues	5,500	-
Deferred rent	-	114,614
Right of use liability, operating	1,091,820	-
	<u>1,374,687</u>	<u>376,838</u>
Total liabilities	1,374,687	376,838
Net Assets		
Without donor restrictions	7,153,413	7,118,416
With donor restrictions	34,600	34,600
	<u>7,188,013</u>	<u>7,153,016</u>
Total net assets	7,188,013	7,153,016
Total liabilities and net assets	\$ 8,562,700	\$ 7,529,854

See notes to consolidated financial statements

Brain Injury Association of Minnesota
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Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Government grants	\$ 857,299	\$ -	\$ 857,299	\$ 857,544	\$ -	\$ 857,544
Contributions	179,604	-	179,604	206,646	-	206,646
Case management fees	4,344,433	-	4,344,433	4,886,388	-	4,886,388
Fundraising event revenue	69,476	-	69,476	51,904	-	51,904
Membership dues	2,281	-	2,281	4,163	-	4,163
Investment income	2,036	-	2,036	13,212	-	13,212
Professional development conferences	43,755	-	43,755	25,915	-	25,915
Other	41,900	-	41,900	12,238	-	12,238
Total support and revenue	5,540,784	-	5,540,784	6,058,010	-	6,058,010
Expenses						
Program	5,234,859	-	5,234,859	5,313,361	-	5,313,361
Management and general	100,993	-	100,993	101,804	-	101,804
Fundraising	169,935	-	169,935	164,183	-	164,183
Total expenses	5,505,787	-	5,505,787	5,579,348	-	5,579,348
Change in net assets	34,997	-	34,997	478,662	-	478,662
Net Assets, Beginning	7,118,416	34,600	7,153,016	6,639,754	34,600	6,674,354
Net Assets, Ending	\$ 7,153,413	\$ 34,600	\$ 7,188,013	\$ 7,118,416	\$ 34,600	\$ 7,153,016

See notes to consolidated financial statements

**Brain Injury Association of Minnesota
DBA: Minnesota Brain Injury Alliance and Consolidated Affiliate**

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Resource Facilitation Information and Resources	Education and Systems Advocacy	Public Awareness	Case Management	Volunteer Program	Multicultural Outreach	Total Brain Injury Program	Minnesota Stroke Association Program	Management and General	Fundraising	Total
Salaries and wages	\$ 725,491	\$ 238,900	\$ 73,085	\$ 2,318,677	\$ 50,209	\$ 65,003	\$ 3,471,365	\$ 250,302	\$ 81,743	\$ 99,463	\$ 3,902,873
Payroll tax expense	49,081	14,436	4,331	190,551	2,887	2,886	264,172	15,764	3,825	4,951	288,712
Employee benefits	72,895	21,440	6,432	283,005	4,288	4,288	392,348	27,043	5,897	7,830	433,118
Total salaries and related expenses	847,467	274,776	83,848	2,792,233	57,384	72,177	4,127,885	293,109	91,465	112,244	4,624,703
Advertising and promotion	-	-	205	-	-	-	205	205	-	24	434
Bad debt expense	-	-	-	56,753	-	-	56,753	-	-	-	56,753
Insurance	4,506	1,325	398	17,492	265	265	24,251	1,448	351	455	26,505
Contract services	49,176	767	155	17,243	603	603	68,547	2,200	197	342	71,286
Dues and subscriptions	204	204	19	793	12	12	1,244	66	16	21	1,347
Postage	4,081	1,187	18,942	15,668	237	237	40,352	5,240	314	407	46,313
Printing	1,882	842	39,075	1,352	18	17	43,186	18,629	18	18	61,851
Professional fees	6,872	2,015	615	26,664	403	403	36,972	6,755	714	1,286	45,727
Rental	66,367	19,520	5,857	257,661	3,904	3,904	357,213	21,423	5,180	6,712	390,528
Repairs and maintenance	2,473	1,102	218	9,601	145	145	13,684	4,268	192	25,290	43,434
Workshops and educational programs	-	-	-	-	-	903	903	-	-	-	903
Conference expense	-	100	-	-	-	-	100	-	-	-	100
Supplies	6,465	1,945	1,728	25,389	380	1,213	37,120	2,635	677	10,301	50,733
Travel expenses	312	69	70	8,506	-	3,461	12,418	187	6	713	13,324
Utilities	3,187	1,382	276	17,408	184	184	22,621	1,005	1,552	316	25,494
Professional development	877	115	-	295	-	-	1,287	-	-	-	1,287
National Alliance dues	1,728	480	192	6,816	96	96	9,408	-	96	96	9,600
Employee recognition	-	-	437	161	32	-	630	-	-	123	753
Hiring expense	30	-	-	2,290	15	-	2,335	-	-	-	2,335
Legislative expenses	-	3,845	-	-	-	-	3,845	-	-	-	3,845
Other expenses	60	162	-	310	70	317	919	15,811	215	11,587	28,532
Total expenses	\$ 995,687	\$ 309,836	\$ 152,035	\$ 3,256,635	\$ 63,748	\$ 83,937	\$ 4,861,878	\$ 372,981	\$ 100,993	\$ 169,935	\$ 5,505,787

See notes to consolidated financial statements

**Brain Injury Association of Minnesota
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Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Resource Facilitation Information and Resources	Education and Systems Advocacy	Public Awareness	Case Management	Volunteer Program	Multicultural Outreach	Total Brain Injury Program	Minnesota Stroke Association Program	Management and General	Fundraising	Total
Salaries and wages	\$ 737,268	\$ 189,331	\$ 89,350	\$ 2,369,074	\$ 49,986	\$ 69,033	\$ 3,504,042	\$ 289,139	\$ 81,649	\$ 98,165	\$ 3,972,995
Payroll tax expense	48,539	14,276	4,283	178,451	2,855	4,283	252,687	23,340	3,936	5,557	285,520
Employee benefits	75,524	22,213	6,664	277,666	4,443	6,664	393,174	36,920	6,160	8,735	444,989
Total salaries and related expenses	861,331	225,820	100,297	2,825,191	57,284	79,980	4,149,903	349,399	91,745	112,457	4,703,504
Advertising and promotion	-	-	205	-	-	-	205	255	-	-	460
Bad debt expense	-	-	-	104,031	-	-	104,031	-	-	-	104,031
Insurance	3,498	860	275	12,650	202	303	17,788	1,653	279	394	20,114
Contract services	47,994	21,436	65	23,162	43	64	92,764	351	59	232	93,406
Dues and subscriptions	274	366	24	1,006	16	23	1,709	132	22	32	1,895
Postage	4,457	1,287	15,607	15,738	252	377	37,718	5,412	348	606	44,084
Printing	503	132	24,695	2,317	26	159	27,832	7,519	29	33	35,413
Professional fees	5,964	1,742	533	21,909	348	533	31,029	5,700	598	1,011	38,338
Rental	65,065	19,137	5,741	239,209	3,827	5,741	338,720	31,269	5,281	7,463	382,733
Repairs and maintenance	2,915	953	286	10,717	171	257	15,299	1,400	236	25,144	42,079
Workshops and educational programs	-	-	-	-	-	733	733	-	-	-	733
Conference expense	-	100	-	-	-	-	100	-	-	-	100
Supplies	3,892	1,454	384	15,064	623	343	21,760	2,010	689	6,877	31,336
Travel expenses	17	572	-	6,998	-	398	7,985	60	-	93	8,138
Utilities	2,813	1,192	313	14,920	162	243	19,643	1,336	1,424	303	22,706
Professional development	475	205	410	1,732	205	-	3,027	205	615	205	4,052
National Alliance dues	1,824	480	192	6,624	96	192	9,408	-	96	96	9,600
Employee recognition	286	42	149	224	109	1	811	71	191	44	1,117
Hiring expense	45	-	-	1,135	-	-	1,180	235	15	-	1,430
Legislative expenses	-	7,145	-	-	-	-	7,145	-	-	-	7,145
Other expenses	-	-	-	-	-	-	-	249	-	9,016	9,265
Total expense before depreciation	1,001,353	282,923	149,176	3,302,627	63,364	89,347	4,888,790	407,256	101,627	164,006	5,561,679
Depreciation	3,358	883	353	12,191	177	353	17,315	-	177	177	17,669
Total expenses	\$ 1,004,711	\$ 283,806	\$ 149,529	\$ 3,314,818	\$ 63,541	\$ 89,700	\$ 4,906,105	\$ 407,256	\$ 101,804	\$ 164,183	\$ 5,579,348

See notes to consolidated financial statements

Brain Injury Association of Minnesota
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Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 34,997	\$ 478,662
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	-	17,669
Noncash lease expense	(1,851)	-
Change in allowance on accounts receivable	(15,000)	-
Changes in assets and liabilities:		
Accounts receivable	(98,790)	125,467
Grants receivable	(14,048)	(15,583)
Prepaid expenses and other assets	(19,594)	(6,185)
Accounts payable	7,612	(11,754)
Accrued expenses	7,822	(14,732)
Prepaid memberships	(291)	(553)
Deferred revenues	5,500	(12,805)
Deferred rent	-	2,313
	<u>(93,643)</u>	<u>562,499</u>
Net cash flows from operating activities	(93,643)	562,499
Net change in cash and cash equivalents	(93,643)	562,499
Cash and Cash Equivalents, Beginning	<u>5,286,456</u>	<u>4,723,957</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,192,813</u>	<u>\$ 5,286,456</u>
Supplemental Cash Flow Disclosure		
Acquisition of right of use asset in exchange for lease liability	<u>\$ 2,133,107</u>	<u>\$ -</u>

See notes to consolidated financial statements

Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance and Consolidated Affiliate

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of Activities

Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance (the Alliance) is a statewide nonprofit Alliance formed to provide support, advocacy and education for survivors of head injury and their families. The mission of the Alliance is to enhance the quality of life for persons with head injuries and their families and to work toward the prevention of head injuries. The Alliance's office is an information and resource center which provides educational materials, video tapes and rehabilitation resources. They are affiliated with the United States Brain Injury Alliance.

Minnesota Brain Injury Alliance is the sole member of the Minnesota Stroke Association and has voting rights and the power to appoint and terminate directors. The Minnesota Stroke Association is a statewide nonprofit Alliance formed to raise awareness about stroke and to enhance the quality of life for all people coping with its sudden and long-term effects.

The services that the Alliance provides are as follows:

- **Resource Facilitation Information and Resources** - offers ongoing support after hospital discharge for persons with brain injury and their family members, and offers resources and referrals to appropriate services. The program is intended to aid with the transition from hospital back to home, work, school and the community.
- **Education** - recognizes that everyone is a partner in learning and as a result provides quality educational opportunities for both consumers and for professional development. Educational opportunities include specialized training for consumers and professionals about brain injury and prevention and several conferences throughout the year.
- **Systems Advocacy** - identifies the needs of children and adults living with brain injury in Minnesota and carries forward sound, progressive public policy that addresses those needs and creates equity in access to services. The creation of the Citizen Advocate network empowers and educates individuals to self-advocate with the belief that the strongest voice of change comes from people most directly affected by brain injury.
- **Public Awareness** - is committed to producing a clear, unified message to help cultivate a deeper understanding of brain injury. This is achieved through written materials on the website, print and email newsletters, brochures, public awareness events, media relations and by building community collaborations.
- **Case Management** - assists consumers on Traumatic Brain Injury (TBI) Waivers and Community Alternative for Disabled Individuals (CADI) Waivers, and provides Relocation Service Coordination within contracted counties and offers flexible case management services for consumers utilizing Consumer Directed Community Supports (CDCS). The consumers' choices and preferences are supported through assessments, identifying available resources, empowering personal responsibility, advocating for services needed, accessing funding sources (waiver and non-waiver) for medical, social and educational needs, and monitoring the plan of care to ensure the safety and health of the consumer.

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- **Volunteer Program-** provides volunteers of all abilities and backgrounds opportunities to contribute to Alliance programs, work with staff members and serve people across the state, increasing awareness of brain injury and the Alliance. Volunteers build skills while giving back to the community. Volunteer opportunities provide valuable work experience in a safe environment for persons with brain injury.
- **Multicultural Outreach** - broadens awareness of brain injury in racially/ethnically diverse communities by working closely with existing cultural service Alliances to provide education and support to professionals and community members. Through these community collaborations, the program strengthens service to communities of color, offering an empowering environment in which persons with brain injury can heal, professionals can learn how to work effectively with persons with brain injury, and community members can learn how to prevent brain injury.

Principles of Consolidation

The consolidated financial statements include the accounts of Brain Injury Association of Minnesota DBA: Minnesota Brain Injury Alliance and its affiliate, Minnesota Stroke Association (collectively, the Alliance). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Alliance defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

Receivables

Receivables are carried at the unpaid balance of the original amount billed less an estimate made for doubtful accounts which is based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

Investments

Investments, other than certificates of deposit, are recorded at fair value. Certificate of deposits are carried at cost which approximates market value. Investment income and unrealized gains or losses are included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions.

Equipment

Equipment is stated at cost, or in the case of donated property and equipment, at estimated fair market value at the date of the gift. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Equipment over \$1,000 is capitalized and is depreciated using the straight-line method over the shorter of their estimated useful life or the length of the lease.

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Net Assets

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

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Alliance and/or passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Alliance to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations.

Board Designated Net Assets

The Alliance's Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no board designated net assets at December 31, 2022 and 2021.

Revenue Recognition and Disaggregation of Revenue

Contribution Revenue Recognition

Unconditional contributions, including promises to give, are recognized in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The Alliance reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Government Grants Revenue Recognition

Government grants are treated as conditional contributions to be recognized as revenue when the relevant performance or other barriers have been met. In the case of the Alliance, the performance barrier is met when the qualifying expenditure occurs. If amounts are received under the grant prior to the incurrence of the qualifying expenditure, such amounts are deferred until such conditions are met.

Expenditures under government grants may be subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants, the Alliance will record such disallowance at the time the assessment is made.

The Alliance received governmental grants generated from drivers' license revenues, principally from the Minnesota Department of Health and Minnesota Department of Human Services.

Conditional contributions whose conditions are restrictions are met simultaneously, in the same year, are recorded as contributions without donor restrictions.

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Fee for Services Revenue

The Alliance contracts with the State of Minnesota to provide case management services. It also bills clients, insurance companies, HMO's and other third party payers for services provided. Revenues from these activities are recognized as the performance obligations are satisfied, which is equivalent to when the services are provided.

Membership Dues Revenue Recognition

The performance obligations provided under the membership agreements have the same pattern of transfer to the members; therefore, revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

Deferred Revenues

Certain revenues applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support when performance obligations are satisfied.

Contributed Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services have been received as donations throughout the year. However, these services do not meet the above criteria, and therefore have not been recorded.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$435 and \$460 for the years ended December 31, 2022 and 2021, respectively.

Retirement Plan

The Alliance has a defined contribution retirement plan for employees. The plan is contributory and contributions are based on a percentage of compensation. The employer matching cost of the plan is paid currently and amounted to \$114,807 and \$115,396 for the years ended December 31, 2022 and 2021, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs such as depreciation, insurance, professional fees, National Alliance dues and information technology have been allocated among the programs and supporting services benefited based on estimates of time and effort spent in each category.

Brain Injury Association of Minnesota

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Impairment of Long-Lived Assets

The Alliance reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allocations to the various functional expense categories. Actual results could differ from those estimates.

Tax-Exempt Status

The Internal Revenue Service has determined that Minnesota Brain Injury Alliance and Minnesota Stroke Association are tax-exempt Alliances under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not subject to federal or state income taxes. However, any unrelated income may be subject to taxation.

The Alliance follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Alliance for uncertain tax positions as of December 31, 2022 and 2021.

Accounting Pronouncements Adopted in the Current Year

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the consolidated statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. The Alliance adopted ASU No. 2016-02 in the year ending December 31, 2022 and all related amendments using the modified retrospective approach. The Alliance's 2021 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted. At the date of adoption, the Alliance recorded an operating lease right-of-use asset and lease liability of \$1,137,820 and \$1,252,434, respectively. The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Alliance elected to apply the package of practical expedients permitted under the transition guidance which does not require the Alliance to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs. In addition, the Alliance elected to use a risk-free discount rate for the initial and subsequent measurement of the lease liability for its operating lease. Additional required disclosures for Topic 842 are contained in Note 6.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Alliance adopted ASU No. 2020-07 in the year ending December 31, 2022 and retrospectively for fiscal year ended December 31, 2021, and determined that there was no impact on the consolidated financial statements.

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Notes to Consolidated Financial Statements
December 31, 2022 and 2021

2. Liquidity and Availability

The Alliance's financial assets as of December 31, 2022 and 2021 available for general expenditures, within the following 12 months, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,192,813	\$ 5,286,456
Less net assets with donor restrictions	(34,600)	(34,600)
Grants receivable	78,601	64,553
Accounts receivable	461,555	347,765
Investments	<u>1,750,000</u>	<u>1,750,000</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 7,448,369</u>	<u>\$ 7,414,174</u>

The Alliance's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets 9 to 12 months of operating expense coverage at any point in time.

Cash in excess of daily requirements is typically invested in short-term, liquid securities.

3. Investments

Following is a summary of investments as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Certificates of deposit, at cost	<u>\$ 1,750,000</u>	<u>\$ 1,750,000</u>

4. Operating Lease

The Alliance has an operating lease for office space in Roseville, Minnesota that terminates in October 2028. In addition to base rent, the Alliance is responsible for its allocated share of operating costs.

Prior to January 1, 2022

Rent expense was \$382,733 for the year ended December 31, 2021. Deferred rent was being amortized as a reduction of rent expense over the term of the lease.

January 1, 2022 and After

Right-of-use assets represent the Alliance's right to use an underlying asset for the lease term, while lease liabilities represent the Alliance's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term. Upon adoption of the new lease standard, deferred rent was reclassified against the right of use asset. Right-of-use assets are assessed for impairment in accordance with the Alliance's long-lived asset policy. The Alliance reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

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Notes to Consolidated Financial Statements
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The Alliance's lease includes an option to renew the lease. The exercise of lease renewal option is at the Alliance's sole discretion. The Alliance regularly evaluates the renewal and when they are reasonably certain of exercise, the Alliance includes such options in the lease term. The Alliance's lease does not include an option to terminate.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Alliance elected to use a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	<u>\$ 979,057</u>
Operating lease liabilities:	
Current	\$ 168,370
Long-term	<u>923,450</u>
Total operating lease liabilities	<u>\$ 1,091,820</u>

Operating lease expense was \$390,528 for the year ended December 31, 2022 of which \$208,031 was related to common area maintenance.

The right-of-use assets and lease liabilities were calculated using a risk free rate of 1.55%. As of December 31, 2022, the remaining lease term was 5.8 years.

The table below summarizes the Alliance's scheduled future minimum lease payments for years ending after December 31, 2022:

Years ending December 31:	
2023	\$ 183,869
2024	188,780
2025	193,986
2026	199,192
2027	204,398
Thereafter	<u>173,947</u>
Total lease payments	1,144,172
Less present value discount	<u>(52,351)</u>
Total lease liabilities	1,091,820
Less current portion	<u>(168,370)</u>
Long-term lease liabilities	<u>\$ 923,450</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 178,663
Operating lease right-of-use assets obtained in exchange for lease liabilities	1,137,819

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Notes to Consolidated Financial Statements
December 31, 2022 and 2021

5. Contingencies

On April 15, 2020, the Alliance entered into a new loan facility with VisionBank under the government enacted Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by the Small Business Administration (SBA). The Alliance borrowed \$958,100 under the loan facility. Loans under the PPP have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a twenty-four week period commencing on the date of the loan. On November 4, 2020, the Alliance received notice from the SBA that the PPP loan payable was forgiven in full.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

The Alliance is subject to asserted and unasserted claims encountered in the normal course of business. In the opinion of management and legal counsel, disposition of these matters will not have a material effect on the Alliance's financial condition or results of operations.

6. Concentrations

The Alliance reported \$857,299 and \$857,544 of government grant revenue from the State of Minnesota during the years ended December 31, 2022 and 2021, respectively, representing a portion of driver's license revenues collected by the State. The grant with the State is effective through June 30, 2023. The receivable from the State related to these grants amounted to \$78,601 and \$64,553 at December 31, 2022 and 2021, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Alliance's programs and activities.

Financial instruments that potentially subject the Alliance to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. The Alliance's cash and cash equivalents are on deposit with a single bank. All the Alliance's investments are held with Wells Fargo Advisors.

7. Subsequent Events

In preparing these consolidated financial statements, the Alliance has considered events and transactions for potential disclosure through April 12, 2023, which is the date that the consolidated financial statements were available to be issued.

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Consolidating Statements of Financial Position
December 31, 2022

	<u>Brain Injury Alliance</u>	<u>Minnesota Stroke Association</u>	<u>Eliminating Adjustments</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 4,449,768	\$ 743,045	\$ -	\$ 5,192,813
Accounts receivable, net of allowance for doubtful accounts of \$75,000	491,734	203	(30,382)	461,555
Grants receivable	78,601	-	-	78,601
Prepaid expenses and other assets	45,952	18,922	-	64,874
Investments	1,750,000	-	-	1,750,000
Other assets	35,800	-	-	35,800
Right of use asset, operating	979,057	-	-	979,057
	<u>\$ 7,830,912</u>	<u>\$ 762,170</u>	<u>\$ (30,382)</u>	<u>\$ 8,562,700</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 20,602	\$ 30,183	\$ (30,382)	\$ 20,403
Accrued expenses	255,660	-	-	255,660
Prepaid memberships	1,304	-	-	1,304
Deferred Revenue	5,500	-	-	5,500
Right of use liability, operating	1,091,820	-	-	1,091,820
	<u>1,374,886</u>	<u>30,183</u>	<u>(30,382)</u>	<u>1,374,687</u>
Total liabilities	1,374,886	30,183	(30,382)	1,374,687
Net Assets				
Without donor restrictions	6,421,426	731,987	-	7,153,413
With donor restrictions	34,600	-	-	34,600
	<u>6,456,026</u>	<u>731,987</u>	<u>-</u>	<u>7,188,013</u>
Total net assets	6,456,026	731,987	-	7,188,013
Total liabilities and net assets	<u>\$ 7,830,912</u>	<u>\$ 762,170</u>	<u>\$ (30,382)</u>	<u>\$ 8,562,700</u>

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Consolidating Statements of Financial Position
December 31, 2021

	<u>Brain Injury Alliance</u>	<u>Minnesota Stroke Association</u>	<u>Eliminating Adjustments</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 4,421,956	\$ 864,500	\$ -	\$ 5,286,456
Accounts receivable, net of allowance for doubtful accounts of \$90,000	396,803	1,692	(50,730)	347,765
Grants receivable	64,553	-	-	64,553
Prepaid expenses and other assets	36,417	8,863	-	45,280
Investments	1,750,000	-	-	1,750,000
Other assets	35,800	-	-	35,800
	<u>6,705,529</u>	<u>875,055</u>	<u>(50,730)</u>	<u>7,529,854</u>
Total assets	<u>\$ 6,705,529</u>	<u>\$ 875,055</u>	<u>\$ (50,730)</u>	<u>\$ 7,529,854</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 14,478	\$ 49,043	\$ (50,730)	\$ 12,791
Accrued expenses	247,838	-	-	247,838
Prepaid memberships	1,595	-	-	1,595
Deferred rent	114,614	-	-	114,614
	<u>378,525</u>	<u>49,043</u>	<u>(50,730)</u>	<u>376,838</u>
Total liabilities	<u>378,525</u>	<u>49,043</u>	<u>(50,730)</u>	<u>376,838</u>
Net Assets				
Without donor restrictions	6,292,404	826,012	-	7,118,416
With donor restrictions	34,600	-	-	34,600
	<u>6,327,004</u>	<u>826,012</u>	<u>-</u>	<u>7,153,016</u>
Total net assets	<u>6,327,004</u>	<u>826,012</u>	<u>-</u>	<u>7,153,016</u>
Total liabilities and net assets	<u>\$ 6,705,529</u>	<u>\$ 875,055</u>	<u>\$ (50,730)</u>	<u>\$ 7,529,854</u>

Brain Injury Association of Minnesota
DBA: Minnesota Brain Injury Alliance and Consolidated Affiliate

Consolidating Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions Brain Injury Alliance	Without Donor Restrictions Minnesota Stroke Association	With Donor Restrictions Brain Injury Alliance	Eliminating Adjustments	Total
Support and Revenue					
Government grants	\$ 857,299	\$ -	\$ -	\$ -	\$ 857,299
Contributions	55,379	124,225	-	-	179,604
Case management fees	4,168,393	176,040	-	-	4,344,433
Fundraising event revenue	35,915	33,561	-	-	69,476
Membership dues	2,281	-	-	-	2,281
Investment income	2,036	-	-	-	2,036
Professional development conferences	9,905	33,850	-	-	43,755
Other	24,350	17,550	-	-	41,900
	<u>5,155,558</u>	<u>385,226</u>	<u>-</u>	<u>-</u>	<u>5,540,784</u>
Total support and revenue					
	5,155,558	385,226	-	-	5,540,784
Expenses					
Program	4,861,878	372,981	-	-	5,234,859
Management and general	81,397	19,596	-	-	100,993
Fundraising	83,261	86,674	-	-	169,935
	<u>5,026,536</u>	<u>479,251</u>	<u>-</u>	<u>-</u>	<u>5,505,787</u>
Total expenses					
	5,026,536	479,251	-	-	5,505,787
Change in net assets	129,022	(94,025)	-	-	34,997
Net Assets, Beginning	<u>6,292,404</u>	<u>826,012</u>	<u>34,600</u>	<u>-</u>	<u>7,153,016</u>
Net Assets, Ending	<u>\$ 6,421,426</u>	<u>\$ 731,987</u>	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ 7,188,013</u>

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Consolidating Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions Brain Injury Alliance	Without Donor Restrictions Minnesota Stroke Association	With Donor Restrictions Brain Injury Alliance	Eliminating Adjustments	Total
Support and Revenue					
Government grants	\$ 857,544	\$ -	\$ -	\$ -	\$ 857,544
Contributions	103,992	102,654	-	-	206,646
Case management fees	4,551,948	334,440	-	-	4,886,388
Fundraising event revenue	31,500	20,404	-	-	51,904
Membership dues	4,163	-	-	-	4,163
Investment income	13,212	-	-	-	13,212
Professional development conferences	21,115	4,800	-	-	25,915
Other	7,001	5,237	-	-	12,238
	<u>5,590,475</u>	<u>467,535</u>	<u>-</u>	<u>-</u>	<u>6,058,010</u>
Expenses					
Program	4,906,356	407,005	-	-	5,313,361
Management and general	83,369	18,435	-	-	101,804
Fundraising	78,335	85,848	-	-	164,183
	<u>5,068,060</u>	<u>511,288</u>	<u>-</u>	<u>-</u>	<u>5,579,348</u>
Change in net assets	522,415	(43,753)	-	-	478,662
Net Assets, Beginning	<u>5,769,989</u>	<u>869,765</u>	<u>34,600</u>	<u>-</u>	<u>6,674,354</u>
Net Assets, Ending	<u>\$ 6,292,404</u>	<u>\$ 826,012</u>	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ 7,153,016</u>