

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Merrick Community Services
St. Paul, Minnesota

We have audited the accompanying financial statements of Merrick Community Services (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of unrestricted activities on pages 20-21 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Merrick Community Services as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hammy Jm Langer & Associates

November 21, 2019

MERRICK COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 134,720	\$ 116,351
Accounts receivable, net of allowances of \$3,265 and \$3,579, respectively	201,503	118,552
Pledges receivable	477,170	429,600
Prepaid expenses	3,928	4,677
Total Current Assets	817,321	669,180
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$232,359 and \$149,838, respectively	1,413,332	1,495,853
TOTAL ASSETS	\$ 2,230,653	\$ 2,165,033

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 34,366	\$ 57,370
Accounts payable	121,034	58,643
Line of credit	70,000	-
Accrued expenses	31,631	37,835
	<u>257,031</u>	<u>153,848</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	208,284	242,630
Deferred rent	35,473	43,247
	<u>243,757</u>	<u>285,877</u>
Total Liabilities	<u>500,788</u>	<u>439,725</u>
NET ASSETS		
Without donor restrictions	986,283	1,005,461
With donor restrictions	743,582	719,847
	<u>1,729,865</u>	<u>1,725,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,230,653</u></u>	<u><u>\$ 2,165,033</u></u>

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
SUPPORT AND REVENUE				
Support				
Contributions	\$ 329,830	\$ 72,000	\$ 401,830	\$ 1,270,014
United Way	77,690	422,170	499,860	232,100
Net assets released from restrictions	470,435	(470,435)	-	-
Total Support	<u>877,955</u>	<u>23,735</u>	<u>901,690</u>	<u>1,502,114</u>
Revenue				
Government grants and contracts	578,941	6,000	584,941	351,686
Program service fees	47,598	-	47,598	63,705
Special events	85,967	-	85,967	80,837
Investment income	713	-	713	6,834
Other gain (loss)	-	-	-	261
Net assets released from restrictions	6,000	(6,000)	-	-
Total Revenue	<u>719,219</u>	<u>-</u>	<u>719,219</u>	<u>503,323</u>
Total Support and Revenue	<u>1,597,174</u>	<u>23,735</u>	<u>1,620,909</u>	<u>2,005,437</u>
EXPENSES				
Program services	1,271,002	-	1,271,002	1,194,579
Capital campaign	-	-	-	242,466
Administrative	244,580	-	244,580	263,550
Fundraising and development	100,770	-	100,770	146,417
Total Expenses	<u>1,616,352</u>	<u>-</u>	<u>1,616,352</u>	<u>1,847,012</u>
CHANGE IN NET ASSETS	(19,178)	23,735	4,557	158,425
NET ASSETS, BEGINNING	<u>1,005,461</u>	<u>719,847</u>	<u>1,725,308</u>	<u>1,566,883</u>
NET ASSETS, ENDING	<u>\$ 986,283</u>	<u>\$ 743,582</u>	<u>\$ 1,729,865</u>	<u>\$ 1,725,308</u>

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Contributions	\$ 769,426	\$ 500,588	\$ 1,270,014
United Way	35,000	197,100	232,100
Refunded grant	-	-	-
Loss on pledges receivable	-	-	-
Net assets released from restrictions	1,189,815	(1,189,815)	-
Total Support	1,994,241	(492,127)	1,502,114
Revenue			
Government grants and contracts	345,686	6,000	351,686
Program service fees	63,705	-	63,705
Special events	80,837	-	80,837
Investment income	6,834	-	6,834
Other loss	261	-	261
Net assets released from restrictions	12,000	(12,000)	-
Total Revenue	509,323	(6,000)	503,323
Total Support and Revenue	2,503,564	(498,127)	2,005,437
EXPENSES			
Program services	1,194,579	-	1,194,579
Capital campaign	242,466	-	242,466
Administrative	263,550	-	263,550
Fundraising and development	146,417	-	146,417
Total Expenses	1,847,012	-	1,847,012
CHANGE IN NET ASSETS	656,552	(498,127)	158,425
NET ASSETS, BEGINNING	348,909	1,217,974	1,566,883
NET ASSETS, ENDING	\$ 1,005,461	\$ 719,847	\$ 1,725,308

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services	Administrative	Fundraising & Development	Total 2019	Total 2018
Salaries	\$ 485,899	\$ 135,204	\$ 48,873	\$ 669,976	\$ 740,552
Payroll taxes	52,023	12,827	5,233	70,083	77,833
Employee benefits	46,679	11,093	7,603	65,375	74,914
Total Personnel Costs	584,601	159,124	61,709	805,434	893,299
Contract services	183,844	24,755	16,978	225,577	160,344
Insurance	8,883	6,181	1,427	16,491	13,742
Professional services	-	13,000	(35,000)	(22,000)	58,128
Food activities and supplies	185,161	1,718	512	187,391	205,664
Office supplies	1,608	1,183	240	3,031	4,231
Telephone	8,667	1,824	857	11,348	10,924
Postage	210	233	250	693	2,130
Occupancy	104,134	15,016	8,853	128,003	114,442
Repairs and maintenance	12,248	663	4,294	17,205	16,785
Equipment costs	13,847	2,910	2,222	18,979	129,830
Advertising	95	788	5,705	6,588	21,166
Dues and subscriptions	250	4,506	1,361	6,117	8,326
Local transportation	5,066	353	102	5,521	12,747
Conventions and meetings	-	799	-	799	4,162
Special events	-	-	24,676	24,676	25,321
Special assistance	84,661	-	-	84,661	72,266
Depreciation	67,031	9,819	5,670	82,520	83,422
Interest	10,696	1,708	914	13,318	10,083
Total Expenses	\$1,271,002	\$ 244,580	\$ 100,770	\$1,616,352	\$ 1,847,012

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	<u>Program Services</u>	<u>Capital Campaign</u>	<u>Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
Salaries	\$ 540,089	\$ -	\$ 142,871	\$ 57,592	\$ 740,552
Payroll taxes	57,313	-	14,206	6,314	77,833
Employee benefits	49,990	-	14,649	10,275	74,914
Total Personnel Costs	647,392	-	171,726	74,181	893,299
Contract services	111,733	-	26,262	22,349	160,344
Insurance	7,956	-	4,645	1,141	13,742
Professional services	-	35,000	23,128	-	58,128
Food, activities and supplies	204,925	-	82	657	205,664
Office supplies	2,196	-	2,000	35	4,231
Telephone	8,860	-	1,145	919	10,924
Postage	312	-	752	1,066	2,130
Occupancy	89,445	-	19,881	5,116	114,442
Repairs and maintenance	15,093	-	1,503	189	16,785
Equipment costs	13,586	111,465	2,433	2,346	129,830
Advertising	1,766	11,210	100	8,090	21,166
Dues and subscriptions	672	-	2,229	5,425	8,326
Local transportation	4,340	8,244	122	41	12,747
Conventions and meetings	885	-	1,899	1,378	4,162
Special events	2,396	-	-	22,925	25,321
Special assistance	72,266	-	-	-	72,266
Depreciation	10,756	66,954	5,153	559	83,422
Interest	-	9,593	490	-	10,083
Total Expenses	<u>\$1,194,579</u>	<u>\$ 242,466</u>	<u>\$ 263,550</u>	<u>\$ 146,417</u>	<u>\$1,847,012</u>

MERRICK COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,557	\$ 158,425
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	82,520	83,422
Allowance for doubtful accounts	(3,265)	(3,579)
Realized and unrealized loss on investments	-	(614)
Interest and dividends reinvested	-	(299)
Change in:		
Accounts receivable	(79,686)	(30,866)
Pledges receivable	(47,570)	(232,600)
Prepaid expenses	749	24,174
Accounts payable	62,391	(38,587)
Accrued expenses	(6,204)	4,560
Deferred rent	(7,774)	9,039
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>5,718</u>	<u>(26,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,027,238)
Proceeds from sale of investments	-	14,324
Payments received on contract for deed	-	214,694
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(798,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on long-term debt	-	300,000
Payments on long-term debt	(57,349)	-
Change in line of credit	70,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>12,651</u>	<u>300,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	18,369	(525,145)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>116,351</u>	<u>641,496</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 134,720</u></u>	<u><u>\$ 116,351</u></u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 13,318	\$ 10,083

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Merrick Community Services (MCS or the Organization) is a non-profit organization whose purpose is to improve the lives of the residents of the Eastside of St. Paul, Minnesota, by empowering individuals, strengthening families, and promoting their independence through MCS programs as follows:

Family Counseling and Case Management - Working in collaboration with Ramsey County and other agencies, MCS provides case management for several programs, including the Family Support Project (FSP), Alternative Response, In-Home Parenting Services, and Child Welfare Targeted Case Management Services. Case management provides families with a trained person who looks at an entire family and helps determine the resources needed to support and stabilize it.

Youth Programs - MCS provides an after-school youth program during the school year. The goal of all youth programs is to have fun while developing important life skills. Each participant determines their goals for the program and works toward achieving them. Goals may include improving school attendance and achievement, improving relationships with family or teachers, and dealing with anger in a positive way. Programs include homework help, drumming, singing, an entrepreneurial group, arts and field trips. A summer recreation program is offered and includes lunch, which is provided by the St. Paul Public Schools. A kid's café program provides nutritional meals Monday through Friday evenings.

Senior Services – The Organization's senior services program is dedicated to providing services that enable area seniors to remain independent and to continue living in their own homes for as long as possible. Some of the services include Meal on Wheels, senior mobile distribution, and social groups.

Food Shelf - The Organization's Food Shelf program is dedicated to connecting families and individuals with community resources to help eliminate long-term causes of hunger. The Organization operates two emergency food shelves, has emergency funds available for specific purposes, and collaborates with organizations fighting to eliminate hunger in our community. Each December, two thousand families receive toys and food to help provide a happy holiday celebration. With the help of the Minnesota Shopping Center Association, the Caring Tree Program provides Eastside students with supplies for the school year.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employment Services – The Organization’s East Side Job Bank, located at MCS, provides job skill assessment and job placement for job seekers. The Job Bank also provides skilled workers for businesses looking for employees. Job counselors are able to communicate in English, Hmong and Spanish, and can help solve transportation and child-care barriers to employment. The Organization also hires students from Harding and Johnson high schools to work full-time at 3M during the summer.

Basis of Presentation:

The financial statements of Merrick Community Services have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

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 and disclosures in these financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts, pledges, and grants receivable. At June 30, 2019 and 2018 the Organization had an allowance for doubtful accounts of \$3,265 and \$3,579, respectively.

Donated Services

Donated services are an integral part of the Organization. Volunteer services, for the years ended June 30, 2019 and 2018, amounted to approximately 16,000 hours for both years. Since the nature of the services do not satisfy the recognition requirements of generally accepted accounting principles, the accompanying financial statements do not reflect these volunteer services.

Functional Allocation of Expenses

Expenses are allocated to program and support services directly, whenever possible, and indirectly using predetermined percentages derived from payroll and occupancy statistics.

Tax-Exempt Status

The Organization has a tax-exempt status under Section 501(c)3 of the Internal Revenue Code. It has been classified as an Organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain positions that more likely than not would not be sustained upon examination by the applicable tax authorities. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as revenue with donor restrictions on the statements of activities.

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

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Advertising

Advertising costs are charged to expense as incurred. During the years ended June 30, 2019 and 2018, advertising costs were \$6,588 and \$21,166, respectively.

Property and Equipment

All expenditures for property and equipment in excess of \$1,500 are recorded at cost. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. It is the Organization's policy to provide depreciation based on the estimated useful lives of the assets using the straight-line method. The useful life of the equipment is 5 to 20 years.

When items are disposed of, the cost and accumulated depreciation are eliminated from the accounting records, and a gain or loss is reported in the change in net assets. Repairs and maintenance costs that do not increase the useful lives of the assets are charged to expense as incurred.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November, 21 2019, the date the financial statements were available to be issued.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Merrick Community Services has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with local financial institutions. At June 30, 2019 and 2018, accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At both June 30, 2019 and 2018, there were no uninsured cash balances.

NOTE 3. CONDITIONAL PLEDGE

At June 30, 2019, the Organization had a conditional promise to give of \$75,000. During the year ended June 30, 2019 the condition of the pledge was met and \$75,000 is recorded as support in the accompanying financial statements for the year ended June 30, 2019

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Building improvements	\$ 1,556,367	\$ 1,556,367
Equipment	82,435	82,435
Vehicles	6,889	6,889
Total Cost	1,645,691	1,645,691
Less: Accumulated Depreciation	(232,359)	(149,838)
Net Property and Equipment	\$ 1,413,332	\$ 1,495,853

Depreciation expense of \$82,520 and \$83,422 was provided for the years ended June 30, 2019 and 2018, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit agreement with Lake Elmo Bank. Interest is payable monthly at the prime rate as published in the Wall Street Journal, with a floor of 4.50% (effective rate of 5.50% and 5.0% as of June 30, 2019 and 2018, respectively) and is secured by the general business assets. As of June 30, 2019 and 2018, there were outstanding balances of \$70,000 and \$0, respectively on this line of credit. The line was scheduled to mature in October 2019, but was renegotiated and is now scheduled to mature in December 2021.

NOTE 6. RETIREMENT PLAN

The Organization has a 403(b)-salary reduction plan covering substantially all eligible employees. The plan provides for employer matching contributions of 2% up to 8% of annual compensation, depending on years of service. Total contributions to the plan for the years ended June 30, 2019 and 2018 amounted to approximately \$5,520 and \$6,100, respectively.

The Organization participates in a multi-employer defined benefit pension plan which is sponsored by United Way. Effective December 31, 2004, the plan froze benefits accruals and, as a result, employees do not earn additional defined benefits for future services.

As required by GAAP for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among Merrick Community Services and the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, Merrick Community Services and the other remaining agencies assume the liability and contributions of the agency in default. Merrick Community Services made contributions of approximately \$36,000 in the years ended June 30, 2019 and 2018, which is recognized as pension cost.

Plan assets are based on a long-term investment strategy. In July 2018, Merrick Community Services and the other agencies participating in the plan voted to terminate the plan in 2019 by securing funding to fully fund the termination liability and purchase annuities to fulfill the obligations to participants. As a result of this decision, United Way made the decision on July 26, 2018 to move 100% of the plan assets into a money market account in order to mitigate against market risk while the termination process is completed.

On September 18, 2019, Merrick Community Services and the other agencies funded the termination liability of the plan. Merrick Community Services incurred a note payable to US Bank for \$136,949 to fund its portion of the liability and agreed to a guaranty of \$25,765 to insure full payment of the obligations in the plan agreement to participants.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN (continued)

The following table presents information concerning Merrick Community Services' participation in the multi-employer defined benefit pension plan:

Legal name: Twin Cities Nonprofit Partners Pension Plan
 EIN/Plan number: 41-1973442/333

Plan year end	12/31/2018	12/31/2017
Pension Protection Act percentage funded	110%	110%
Contribution by Merrick Community Services	\$ 31,637	\$ 36,472
Contributions as percentage of total contributed	2%	2%
Rehabilitation Plan Status	n/a	n/a

NOTE 7. CAPITAL CAMPAIGN

The Organization conducted a capital campaign for the relocation and expansion of its office and program facilities that concluded during the year ended June 30, 2018. During the year ended June 30, 2018, the Organization recognized revenue of \$1,122,249 for amounts incurred in association with the capital campaign.

NOTE 8. RESTRICTIONS ON NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2019 and 2018:

	2019	2018
Specific purpose		
Families	\$ -	\$ 17,500
Youth	87,552	214,263
Senior Services	6,000	7,166
Food Shelf	211,470	175,148
Employment Services	222,452	288,862
Development	35,408	16,908
Time restricted	180,700	-
Net assets with donor restrictions	\$ 743,582	\$ 719,847

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 8. RESTRICTIONS ON NET ASSETS (continued)

Net Assets Released from Restrictions

The net assets released from restrictions for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
Specific purpose:		
Families	\$ 17,500	\$ 18,290
Youth	132,712	129,473
Senior Services	7,166	16,740
Emergency Services	140,148	112,000
Food Shelf	162,409	72,480
Development	16,500	10,000
New office renovations	-	842,832
Net assets released from restrictions	\$ 476,435	\$ 1,201,815

NOTE 9. MAJOR SOURCES OF SUPPORT AND REVENUE

During the years ended June 30, 2019 and 2018, the major sources of support and revenue (as a percentage of total support and revenue) were as follows:

	2019	2018
United Way	31%	10%
MN State	13%	*
Ramsey County	15%	12%
Bush Foundation	*	10%

* - Donor was not above 10% for the fiscal year

NOTE 10. LEASE COMMITMENTS

During the years ended June 30, 2019 and 2018, the Organization leased a location for its Emergency Service Center under a month-to-month agreement for approximately \$180 per month. Rent expense charged to operations amounted to \$2,300 and \$2,160 for the years ended June 30, 2019 and 2018, respectively, which also includes the HVAC payments for this property.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LEASE COMMITMENTS (continued)

Starting in February 2017, the Organization leased office space with Gustavus Adolphus Church under a noncancelable lease ending May 2022. Rental rates per lease year range from \$7.00 to \$7.73 per square foot. The lease agreement allowed for rent abatement from February 2017 to September 2017. Rent expense is recognized straight-line over the term of the lease and a related deferred rent liability of \$35,473 and \$43,247 was recorded at June 30, 2019 and 2018, respectively.

The Organization leased office space at 965 Payne Avenue, St. Paul with Old Swedish Bank, LLC, for \$900 per month plus operating expenses. This lease expired in September 2017. Rent expense charged to operations for the above lease was approximately \$0 and \$4,000, respectively, for the years ended June 30, 2019 and 2018.

In addition, the Organization also incurred rent expense of approximately \$2,600 and \$2,400 at a public storage facility for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, future minimum lease payments, including estimated operating expenses, under the above operating lease were as follows:

Year Ending June 30,	Amount
2020	\$ 93,269
2021	93,600
2022	<u>87,936</u>
	<u>\$ 274,805</u>

NOTE 11. LONG-TERM DEBT

At June 30, 2019 and 2018, long-term debt consisted of the following:

	<u>2019</u>	<u>2018</u>
Note payable due in monthly installments of \$3,826, including interest at 5.0%, secured by the Organization's assets, maturing August 2025	\$ 242,650	\$ 300,000
Less: current maturities	<u>(34,366)</u>	<u>(57,370)</u>
	<u>\$ 208,284</u>	<u>\$ 242,630</u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 11. LONG-TERM DEBT (continued)

At June 30, 2019, future maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2020	\$ 34,366
2021	36,180
2022	38,057
2023	40,032
2024	42,099
Thereafter	17,550
	\$ 208,284

NOTE 12. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019:

The Organization's goal is to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in money market funds and potentially mutual funds, corporate bonds and equities.

	<u>Amount</u>
Financial assets ay year-end:	
Cash and cash equivalents	\$ 134,720
Accounts and pledges receivable, net	678,673
Total financial assets	813,393
Less amounts not available to be used within one year:	
Net assets with donor restrictions	743,582
Less net assets with purpose restrictions to be met in less than a year	(743,582)
Financial assets available to meet general expenditures over the twelve months	\$ 813,393

MERRICK COMMUNITY SERVICES
SCHEDULE OF UNRESTRICTED ACTIVITIES
For the Year Ended June 30, 2019

	<u>Program Services</u>								
	Families	Youth	Senior Services	Food Shelf	Employment Services	Total Program Services	Administrative	Fundraising & Development	Total
SUPPORT AND REVENUE									
Support	\$ 51,156	\$ 126,665	\$ 31,210	\$ 197,295	\$ 218,665	\$ 624,991	\$ 235,498	\$ 17,466	\$ 877,955
Revenue	232,689	178	115,944	108,257	164,960	622,028	392	96,799	719,219
Total Support and Revenue	283,845	126,843	147,154	305,552	383,625	1,247,019	235,890	114,265	1,597,174
EXPENSES									
Salaries	161,622	87,341	50,633	99,519	86,784	485,899	135,204	48,873	669,976
Payroll taxes	17,169	11,527	5,109	10,039	8,179	52,023	12,827	5,233	70,083
Employee benefits	16,438	1,972	5,343	13,918	9,008	46,679	11,093	7,603	65,375
Total Personnel Costs	195,229	100,840	61,085	123,476	103,971	584,601	159,124	61,709	805,434
Contract services	4,320	58	5,531	25,802	148,133	183,844	24,755	16,978	225,577
Insurance	2,828	433	1,199	3,508	915	8,883	6,181	1,427	16,491
Professional services	-	-	-	-	-	-	13,000	(35,000)	(22,000)
Food, activities and supplies	4,141	3,580	67,476	77,034	32,930	185,161	1,718	512	187,391
Office supplies	307	224	235	619	223	1,608	1,183	240	3,031
Telephone	3,104	602	1,016	2,536	1,409	8,667	1,824	857	11,348
Postage	210	-	-	-	-	210	233	250	693
Occupancy	20,104	14,704	15,374	39,541	14,411	104,134	15,016	8,853	128,003
Repairs and maintenance	1,505	1,318	2,742	2,138	4,545	12,248	663	4,294	17,205
Equipment costs	4,597	1,525	1,572	4,483	1,670	13,847	2,910	2,222	18,979
Advertising	-	25	-	-	70	95	788	5,705	6,588
Dues and subscriptions	-	-	100	150	-	250	4,506	1,361	6,117
Local transportation	2,241	19	383	1,648	775	5,066	353	102	5,521
Conventions and meetings	-	-	-	-	-	-	799	-	799
Special events	-	-	-	-	-	-	-	24,676	24,676
Special assistance	84,661	-	-	-	-	84,661	-	-	84,661
Depreciation	12,873	9,416	9,840	26,194	8,708	67,031	9,819	5,670	82,520
Bad debt	-	-	-	-	-	-	-	-	-
Interest	2,075	1,518	1,586	4,113	1,404	10,696	1,708	914	13,318
Total Expenses	338,195	134,262	168,139	311,242	319,164	1,271,002	244,580	100,770	1,616,352
CHANGE IN UNRESTRICTED									
NET ASSETS	\$ (54,350)	\$ (7,419)	\$ (20,985)	\$ (5,690)	\$ 64,461	\$ (23,983)	\$ (8,690)	\$ 13,495	\$ (19,178)

See independent auditor's report
on supplementary information

MERRICK COMMUNITY SERVICES
SCHEDULE OF UNRESTRICTED ACTIVITIES
For the Year Ended June 30, 2018

	Program Services									
	Families	Youth	Senior Services	Food Shelf	Employment Services	Total Program Services	Capital Campaign	Administrative	Fundraising & Development	Total
SUPPORT AND REVENUE										
Support	\$ 25,409	\$ 137,294	\$ 48,598	\$ 313,526	\$ 133,822	\$ 658,649	\$ 1,122,249	\$ 185,973	\$ 27,370	\$1,994,241
Revenue	229,228	5,610	153,473	3,526	34,380	426,217	-	6,861	76,245	509,323
Total Support and Revenue	254,637	142,904	202,071	317,052	168,202	1,084,866	1,122,249	192,834	103,615	2,503,564
EXPENSES										
Salaries	151,763	115,344	89,404	144,123	39,455	540,089	-	142,871	57,592	740,552
Payroll taxes	14,822	15,031	8,529	14,246	4,685	57,313	-	14,206	6,314	77,833
Employee benefits	15,135	4,949	6,077	15,827	8,002	49,990	-	14,649	10,275	74,914
Total Personnel Costs	181,720	135,324	104,010	174,196	52,142	647,392	-	171,726	74,181	893,299
Contract services	2,916	1,407	14,321	12,143	80,946	111,733	-	26,262	22,349	160,344
Insurance	2,046	626	1,559	2,561	1,164	7,956	-	4,645	1,141	13,742
Professional services	-	-	-	-	-	-	35,000	23,128	-	58,128
Food, activities and supplies	2,690	4,269	86,887	99,124	11,955	204,925	-	82	657	205,664
Office supplies	475	53	265	1,195	208	2,196	-	2,000	35	4,231
Telephone	2,790	826	1,289	3,067	888	8,860	-	1,145	919	10,924
Postage	200	1	2	106	3	312	-	752	1,066	2,130
Occupancy	12,888	2,470	8,372	56,325	9,390	89,445	-	19,881	5,116	114,442
Repairs and maintenance	2,296	91	2,408	9,951	347	15,093	-	1,503	189	16,785
Equipment costs	1,749	335	2,761	7,467	1,274	13,586	111,465	2,433	2,346	129,830
Advertising	-	-	-	800	966	1,766	11,210	100	8,090	21,166
Dues and subscriptions	250	-	161	261	-	672	-	2,229	5,425	8,326
Local transportation	3,043	-	237	993	67	4,340	8,244	122	41	12,747
Conventions and meetings	65	65	153	602	-	885	-	1,899	1,378	4,162
Special events	-	2,396	-	-	-	2,396	-	-	22,925	25,321
Special assistance	72,266	-	-	-	-	72,266	-	-	-	72,266
Depreciation	1,409	270	915	7,135	1,027	10,756	66,954	5,153	559	83,422
Interest	-	-	-	-	-	-	9,593	490	-	10,083
Total Expenses	286,803	148,133	223,340	375,926	160,377	1,194,579	242,466	263,550	146,417	1,847,012
CHANGE IN UNRESTRICTED NET ASSETS	\$ (32,166)	\$ (5,229)	\$ (21,269)	\$ (58,874)	\$ 7,825	\$ (109,713)	\$ 879,783	\$ (70,716)	\$ (42,802)	\$ 656,552

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