

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2021 and 2020

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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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Prior Period Adjustment

As discussed in Note 12 to the financial statements, a prior period adjustment was made to reclassify net assets. Our opinion is not modified with respect to this matter.

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 18- 19 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.

Harrington Langer & Associates

September 27, 2021

MERRICK COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 988,255	\$ 741,556
Accounts receivable	183,786	103,080
Contributions receivable	422,170	459,577
Prepaid expenses	13,638	10,729
Total Current Assets	1,607,849	1,314,942
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$386,626 and \$310,775, respectively	1,261,990	1,334,916
TOTAL ASSETS	\$ 2,869,839	\$ 2,649,858
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 50,114	\$ 47,747
Accounts payable	84,043	111,348
Accrued expenses	62,866	37,184
Total Current Liabilities	197,023	196,279
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	246,294	296,109
Deferred rent	13,262	25,554
Total Long-Term Liabilities	259,556	321,663
Total Liabilities	456,579	517,942
NET ASSETS		
Without donor restrictions	1,058,002	899,532
With donor restrictions	1,355,258	1,232,384
Total Net Assets	2,413,260	2,131,916
TOTAL LIABILITIES AND NET ASSETS	\$ 2,869,839	\$ 2,649,858

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
SUPPORT AND REVENUE				
Support				
Contributions	\$ 351,909	\$ 519,690	\$ 871,599	\$ 1,170,021
United Way	17,963	422,170	440,133	490,165
Net assets released from restrictions	818,986	(818,986)	-	-
Total Support	<u>1,188,858</u>	<u>122,874</u>	<u>1,311,732</u>	<u>1,660,186</u>
Revenue				
Government grants and contracts	624,465	-	624,465	478,615
Program service fees	159,241	-	159,241	57,142
Special events	97,272	-	97,272	132,522
Investment income	1,880	-	1,880	441
Net assets released from restrictions	-	-	-	-
Total Revenue	<u>882,858</u>	<u>-</u>	<u>882,858</u>	<u>668,720</u>
Total Support and Revenue	<u>2,071,716</u>	<u>122,874</u>	<u>2,194,590</u>	<u>2,328,906</u>
EXPENSES				
Program services	1,481,430	-	1,481,430	1,331,240
Administrative	243,968	-	243,968	271,677
Fundraising and development	187,848	-	187,848	186,987
Total Expenses	<u>1,913,246</u>	<u>-</u>	<u>1,913,246</u>	<u>1,789,904</u>
CHANGE IN NET ASSETS	158,470	122,874	281,344	539,002
NET ASSETS, BEGINNING	<u>899,532</u>	<u>1,232,384</u>	<u>2,131,916</u>	<u>1,592,914</u>
NET ASSETS, ENDING	<u><u>\$ 1,058,002</u></u>	<u><u>\$ 1,355,258</u></u>	<u><u>\$ 2,413,260</u></u>	<u><u>\$ 2,131,916</u></u>

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Contributions	\$ 587,580	\$ 582,441	\$ 1,170,021
United Way	67,995	422,170	490,165
Net assets released from restrictions	509,809	(509,809)	-
Total Support	1,165,384	494,802	1,660,186
Revenue			
Government grants and contracts	478,615	-	478,615
Program service fees	57,142	-	57,142
Special events	132,522	-	132,522
Investment income	441	-	441
Net assets released from restrictions	6,000	(6,000)	-
Total Revenue	674,720	(6,000)	668,720
Total Support and Revenue	1,840,104	488,802	2,328,906
EXPENSES			
Program services	1,331,240	-	1,331,240
Administrative	271,677	-	271,677
Fundraising and development	186,987	-	186,987
Total Expenses	1,789,904	-	1,789,904
CHANGE IN NET ASSETS	50,200	488,802	539,002
NET ASSETS, BEGINNING	849,332	743,582	1,592,914
NET ASSETS, ENDING	\$ 899,532	\$ 1,232,384	\$ 2,131,916

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services					Total Program Services	Administrative	Fundraising & Development	Total
	Families	Youth	Senior Services	Food Shelf	Employment Services				
Salaries	234,322	30,422	52,663	109,557	82,135	509,099	134,637	73,098	716,834
Payroll taxes	25,858	2,830	6,232	12,126	8,064	55,110	17,248	8,384	80,742
Employee benefits	9,552	27	3,050	10,308	4,550	27,487	8,761	5,781	42,029
Total Personnel Costs	269,732	33,279	61,945	131,991	94,749	591,696	160,646	87,263	839,605
Contract services	3,814	1,663	3,324	5,906	222,869	237,576	17,190	25,992	280,758
Insurance	2,783	72	1,216	3,526	880	8,477	5,614	1,411	15,502
Professional services	-	-	-	-	-	-	14,676	-	14,676
Food, activities and supplies	3,082	90	139,535	139,418	20,354	302,479	4,649	656	307,784
Office supplies	1,206	641	666	2,278	900	5,691	842	572	7,105
Telephone	4,139	126	1,005	2,384	1,728	9,382	1,740	1,148	12,270
Postage	-	-	-	-	-	-	220	596	816
Occupancy	23,253	12,764	13,265	46,111	17,923	113,316	8,409	9,768	131,493
Repairs and maintenance	5,647	2,893	5,802	4,969	3,211	22,522	8,191	10,572	41,285
Equipment costs	3,538	276	1,185	3,733	1,674	10,406	1,779	1,386	13,571
Advertising	2,000	-	-	-	5,478	7,478	1,258	1,130	9,866
Dues and subscriptions	-	-	3,085	-	-	3,085	2,978	1,295	7,358
Local transportation	1,179	-	-	648	228	2,055	-	-	2,055
Conventions and meetings	20	11	361	292	1,592	2,276	1,183	8	3,467
Special events	500	-	-	-	-	500	153	39,391	40,044
Special assistance	81,217	-	-	26	9,731	90,974	-	-	90,974
Depreciation	12,653	6,945	7,909	25,013	9,753	62,273	11,264	5,315	78,852
Interest	3,134	928	1,378	4,081	1,723	11,244	3,176	1,345	15,765
Total Expenses	417,897	59,688	240,676	370,376	392,793	1,481,430	243,968	187,848	1,913,246

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services					Total Program Services	Administrative	Fundraising & Development	Total
	Families	Youth	Senior Services	Food Shelf	Employment Services				
Salaries	187,369	77,862	41,605	91,329	23,465	421,630	155,358	34,096	611,084
Payroll taxes	19,758	7,673	4,772	9,840	3,036	45,079	16,282	4,441	65,802
Employee benefits	9,449	369	2,782	8,562	4,890	26,052	4,279	3,852	34,183
Total Personnel Costs	216,576	85,904	49,159	109,731	31,391	492,761	175,919	42,389	711,069
Contract services	2,034	3,579	5,283	6,599	339,689	357,184	26,637	67,875	451,696
Insurance	2,778	147	1,240	3,559	910	8,634	5,583	1,405	15,622
Professional services	1,834	-	535	986	463	3,818	15,900	1,316	21,034
Food, activities and supplies	1,176	5,697	90,109	69,992	8,983	175,957	2,167	150	178,274
Office supplies	1,042	316	468	1,172	425	3,423	1,893	280	5,596
Telephone	3,593	374	1,057	2,484	1,036	8,544	2,063	887	11,494
Postage	-	-	-	-	-	-	399	455	854
Occupancy	21,347	15,615	16,325	42,135	14,450	109,872	9,710	9,401	128,983
Repairs and maintenance	4,189	5,970	6,681	4,386	8,271	29,497	3,324	2,149	34,970
Equipment costs	2,239	1,211	1,432	8,980	1,368	15,230	1,097	999	17,326
Advertising	32	23	24	61	527	667	6,082	3,530	10,279
Dues and subscriptions	-	-	-	-	-	-	2,371	600	2,971
Local transportation	1,866	7	186	944	108	3,111	389	19	3,519
Conventions and meetings	563	-	-	741	898	2,202	2,744	-	4,946
Special events	-	-	-	-	-	-	-	48,910	48,910
Special assistance	42,200	-	-	-	4,561	46,761	-	-	46,761
Depreciation	12,006	8,783	9,178	23,829	8,123	61,919	11,207	5,289	78,415
Interest	2,945	1,337	1,723	4,136	1,519	11,660	4,192	1,333	17,185
Total Expenses	316,420	128,963	183,400	279,735	422,722	1,331,240	271,677	186,987	1,789,904

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 281,344	\$ 539,002
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,852	78,415
Change in:		
Accounts receivable	(80,706)	98,423
Contributions receivable	37,407	17,593
Prepaid expenses	(2,909)	(6,801)
Accounts payable	(27,305)	(9,687)
Accrued expenses	25,682	5,553
Deferred rent	(12,292)	(9,918)
	300,073	712,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,926)	-
	(5,926)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(47,448)	(35,744)
Change in line of credit	-	(70,000)
	(47,448)	(105,744)
NET CASH USED IN FINANCING ACTIVITIES	(47,448)	(105,744)
NET INCREASE IN CASH AND CASH EQUIVALENTS	246,699	606,836
CASH AND CASH EQUIVALENTS, BEGINNING	741,556	134,720
CASH AND CASH EQUIVALENTS, ENDING	\$ 988,255	\$ 741,556
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 15,765	\$ 17,185

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 supports youth development through our services in a number of ways. Youth needs are assessed and addressed through our Family Services case management, and specific support is often provided to youth and families to help with school attendance, homework management, or healthy lifestyle choices for youth. We typically provide youth employment and career exploration programming in partnership with Saint Paul Public Schools and 3M as a summer program; and, we continue to weave youth career exploration into other elements of our employment programming year-round. Two of Merrick's annual events (Holiday Share (winter toy distribution) and Back-To-School backpack distribution specifically focus on connecting with, and providing support to East Side youth and their families.

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 Meals 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)

Accounts Receivable

Accounts receivable is stated at net realizable value. Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding receivable. Management estimates that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts has been recognized as of June 30, 2021 and 2020.

Contributions Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of the amount to be collected using an imputed interest rate applicable to the year in which the contribution is received. Conditional contributions are not included as support until such time as the conditions are substantially met. Management estimates that all contributions are fully collectible. Therefore, no allowance for doubtful accounts has been recognized as of June 30, 2021 and 2020.

Donated Services

Donated services are an integral part of the Organization. Volunteer services, for the years ended June 30, 2021 and 2020, amounted to approximately 15,000 and 11,000 hours, respectively. 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.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Organization recognizes revenue from government service contracts and program service fees when the services are performed. 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 statements of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable state and county contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$217,352 and \$146,654 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

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.

Advertising

Advertising costs are charged to expense as incurred. During the years ended June 30, 2021 and 2020, advertising costs were \$9,866 and \$10,279, 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.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 27, 2021, the date the financial statements were available to be issued.

Change in Accounting Principles

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. These amendments have been applied retrospectively to all periods presented, with no effect on net assets.

NOTE 2. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with local financial institutions. At June 30, 2021 and 2020, accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, there were uninsured cash balances of \$745,760 and \$424,231, respectively.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Building improvements	\$ 1,556,367	\$ 1,556,367
Equipment	88,360	82,435
Vehicles	6,889	6,889
Total Cost	1,651,616	1,645,691
Less: Accumulated Depreciation	(389,626)	(310,775)
Net Property and Equipment	\$ 1,261,990	\$ 1,334,916

Depreciation expense of \$78,852 and \$78,415 was provided for the years ended June 30, 2021 and 2020, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT

At June 30, 2021 and 2020, long-term debt consisted of the following:

	2021	2020
Note payable due in monthly installments of \$3,826, including interest at 5.0%, secured by the Organization's assets, maturing August 2025	\$ 178,254	\$ 214,128
Note payable due in monthly installments of \$1,420, including interest at 4.36%, secured by the Organization's assets with a final payment due October 2024	118,154	129,728
Total long term debt	\$ 296,408	\$ 343,856
Less: current maturities	(50,114)	(47,747)
	\$ 246,294	\$ 296,109

At June 30, 2021, future maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2022	\$ 50,114
2023	52,633
2024	55,529
2025	124,630
2026	13,502
	\$ 296,408

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 4.50% as of June 30, 2021 and 2020) and is secured by the general business assets. As of June 30, 2021 and 2020, there were no outstanding balances of on this line of credit. The line is scheduled to mature in December 2021.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RESTRICTIONS ON NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	2021	2020
Specific purpose		
Youth	\$ 385,975	\$ 410,778
Senior Services	-	20,000
Food Shelf	231,470	191,470
Employment Services	575,152	490,022
Development	22,000	8,750
Time restricted	140,661	111,364
Net assets with donor restrictions	\$ 1,355,258	\$ 1,232,384

Net Assets Released from Restrictions

The net assets released from restrictions for the years ended June 30, 2021 and 2020 consisted of the following:

	2021	2020
Specific purpose:		
Youth	\$ 24,803	\$ 75,583
Senior Services	20,000	6,000
Food Shelf	191,470	211,470
Employment Services	463,008	196,506
Development	8,750	26,250
Time restricted	110,955	-
Net assets released from restrictions	\$ 818,986	\$ 515,809

NOTE 7. MAJOR SOURCES OF SUPPORT AND REVENUE

Approximately 60% and 46% of total support and revenue at June 30, 2021 and 2020, respectively, are from three donors.

NOTE 8. RETIREMENT PLAN

The Organization has a 403(b) 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, 2021 and 2020 amounted to \$4,674 and \$8,729, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLAN (continued)

The Organization participated in a multiemployer defined benefit pension plan which was 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. 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. 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 \$136,951 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. See Note 4 for details on this note payable.

NOTE 9. LEASE COMMITMENTS

The Organization leases 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 at a rate of approximately \$130,000, per year and a related deferred rent liability of \$13,262 and \$25,554 was recorded at June 30, 2021 and 2020, respectively. The Organization also leases space from Woodland Hills Church for a food shelf under a month-to-month agreement for approximately \$200 per month. Rent expense on this lease was approximately \$770 and \$1,000, for the years ended June 30, 2021 and 2020, respectively.

The Organization leases office equipment under a non-cancellable operating lease expiring in July 2025. Rent expense on this lease was approximately \$9,900 and \$11,000, for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, future minimum lease payments, including estimated operating expenses, under the above operating lease were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 97,896
2023	9,960
2024	9,960
2025	9,960
Thereafter	<u>830</u>
	<u>\$ 128,606</u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 10. AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2021 and 2020:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 988,256	\$ 741,556
Accounts and contributions receivable, net	605,956	562,657
Total financial assets	1,594,212	1,304,213
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,355,258	1,232,384
Less net assets with purpose restrictions to be met in less than a year	(1,355,258)	(1,232,384)
Financial assets available to meet general expenditures over the twelve months	\$1,594,212	\$ 1,304,213

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.

NOTE 11. PPP FUNDING

On April 24, 2020, the Organization received loan proceeds in the amount of \$143,821 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides loans to qualifying businesses. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Organization met the PPP’s eligibility criteria and therefore, has concluded that the PPP loan represents, in substance, a grant that is to be forgiven. As a result, the Organization has accounted for the PPP loan in accordance with ASC 958-605 as a conditional contribution. During the years ended June 30, 2021 and 2020, the Organization recognized \$35,955 and \$107,866, respectively, as government grant revenue for purposes consistent with the PPP.

NOTE 12. PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2020 have been reclassified to properly account for a \$50,000 contribution. The reclassification resulted in an \$50,000 decrease in net assets without donor restrictions and a \$50,000 increase in net assets with donor restrictions.

MERRICK COMMUNITY SERVICES
SCHEDULE OF UNRESTRICTED ACTIVITIES
For the Year Ended June 30, 2021

	Program Services						Administrative	Fundraising & Development	Total
	Families	Youth	Senior Services	Food Shelf	Employment Services	Total Program Services			
SUPPORT AND REVENUE									
Support	\$ 153,922	\$ 24,803	\$ 38,335	\$ 192,998	\$ 286,522	\$ 696,580	\$ 457,278	\$ 35,000	\$ 1,188,858
Revenue	282,483	-	263,664	144,326	112,361	802,834	37,828	42,196	882,858
Total Support and Revenue	436,405	24,803	301,999	337,324	398,883	1,499,414	495,106	77,196	2,071,716
EXPENSES									
Salaries	234,322	30,422	52,663	109,557	82,135	509,099	134,637	73,098	716,834
Payroll taxes	25,858	2,830	6,232	12,126	8,064	55,110	17,248	8,384	80,742
Employee benefits	9,552	27	3,050	10,308	4,550	27,487	8,761	5,781	42,029
Total Personnel Costs	269,732	33,279	61,945	131,991	94,749	591,696	160,646	87,263	839,605
Contract services	3,814	1,663	3,324	5,906	222,869	237,576	17,190	25,992	280,758
Insurance	2,783	72	1,216	3,526	880	8,477	5,614	1,411	15,502
Professional services	-	-	-	-	-	-	14,676	-	14,676
Food, activities and supplies	3,082	90	139,535	139,418	20,354	302,479	4,649	656	307,784
Office supplies	1,206	641	666	2,278	900	5,691	842	572	7,105
Telephone	4,139	126	1,005	2,384	1,728	9,382	1,740	1,148	12,270
Postage	-	-	-	-	-	-	220	596	816
Occupancy	23,253	12,764	13,265	46,111	17,923	113,316	8,409	9,768	131,493
Repairs and maintenance	5,647	2,893	5,802	4,969	3,211	22,522	8,191	10,572	41,285
Equipment costs	3,538	276	1,185	3,733	1,674	10,406	1,779	1,386	13,571
Advertising	2,000	-	-	-	5,478	7,478	1,258	1,130	9,866
Dues and subscriptions	-	-	3,085	-	-	3,085	2,978	1,295	7,358
Local transportation	1,179	-	-	648	228	2,055	-	-	2,055
Conventions and meetings	20	11	361	292	1,592	2,276	1,183	8	3,467
Special events	500	-	-	-	-	500	153	39,391	40,044
Special assistance	81,217	-	-	26	9,731	90,974	-	-	90,974
Depreciation	12,653	6,945	7,909	25,013	9,753	62,273	11,264	5,315	78,852
Interest	3,134	928	1,378	4,081	1,723	11,244	3,176	1,345	15,765
Total Expenses	417,897	59,688	240,676	370,376	392,793	1,481,430	243,968	187,848	1,913,246
CHANGE IN UNRESTRICTED									
NET ASSETS	\$ 18,508	\$ (34,885)	\$ 61,323	\$ (33,052)	\$ 6,090	\$ 17,984	\$ 251,138	\$ (110,652)	\$ 158,470

See independent auditor's report
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MERRICK COMMUNITY SERVICES
SCHEDULE OF UNRESTRICTED ACTIVITIES
For the Year Ended June 30, 2020

	Program Services						Administrative	Fundraising & Development	Total
	Families	Youth	Senior Services	Food Shelf	Employment Services	Total Program Services			
SUPPORT AND REVENUE									
Support	\$ 221,370	\$ 95,980	\$ 93,004	\$ 277,479	\$ 225,936	\$ 913,769	\$ 230,448	\$ 21,167	\$1,165,384
Revenue	176,744	-	69,887	250	187,451	434,332	107,866	132,522	674,720
Total Support and Revenue	398,114	95,980	162,891	277,729	413,387	1,348,101	338,314	153,689	1,840,104
EXPENSES									
Salaries	187,369	77,862	41,605	91,329	23,465	421,630	155,358	34,096	611,084
Payroll taxes	19,758	7,673	4,772	9,840	3,036	45,079	16,282	4,441	65,802
Employee benefits	9,449	369	2,782	8,562	4,890	26,052	4,279	3,852	34,183
Total Personnel Costs	216,576	85,904	49,159	109,731	31,391	492,761	175,919	42,389	711,069
Contract services	2,034	3,579	5,283	6,599	339,689	357,184	26,637	67,875	451,696
Insurance	2,778	147	1,240	3,559	910	8,634	5,583	1,405	15,622
Professional services	1,834	-	535	986	463	3,818	15,900	1,316	21,034
Food, activities and supplies	1,176	5,697	90,109	69,992	8,983	175,957	2,167	150	178,274
Office supplies	1,042	316	468	1,172	425	3,423	1,893	280	5,596
Telephone	3,593	374	1,057	2,484	1,036	8,544	2,063	887	11,494
Postage	-	-	-	-	-	-	399	455	854
Occupancy	21,347	15,615	16,325	42,135	14,450	109,872	9,710	9,401	128,983
Repairs and maintenance	4,189	5,970	6,681	4,386	8,271	29,497	3,324	2,149	34,970
Equipment costs	2,239	1,211	1,432	8,980	1,368	15,230	1,097	999	17,326
Advertising	32	23	24	61	527	667	6,082	3,530	10,279
Dues and subscriptions	-	-	-	-	-	-	2,371	600	2,971
Local transportation	1,866	7	186	944	108	3,111	389	19	3,519
Conventions and meetings	563	-	-	741	898	2,202	2,744	-	4,946
Special events	-	-	-	-	-	-	-	48,910	48,910
Special assistance	42,200	-	-	-	4,561	46,761	-	-	46,761
Depreciation	12,006	8,783	9,178	23,829	8,123	61,919	11,207	5,289	78,415
Interest	2,945	1,337	1,723	4,136	1,519	11,660	4,192	1,333	17,185
Total Expenses	316,420	128,963	183,400	279,735	422,722	1,331,240	271,677	186,987	1,789,904
CHANGE IN UNRESTRICTED NET ASSETS	\$ 81,694	\$ (32,983)	\$ (20,509)	\$ (2,006)	\$ (9,335)	\$ 16,861	\$ 66,637	\$ (33,298)	\$ 50,200

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