

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Merrick Community Services (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Merrick Community Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Merrick Community Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Merrick Community Services' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Merrick Community Services' 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.

Harrington Langer & Associates

September 22, 2022

MERRICK COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,381,675	\$ 988,255
Accounts receivable	44,637	183,786
Contributions receivable	444,329	422,170
Prepaid expenses	<u>20,512</u>	<u>13,638</u>
Total Current Assets	<u>2,891,153</u>	<u>1,607,849</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$407,051 and \$389,626, respectively	<u>1,182,644</u>	<u>1,261,990</u>
TOTAL ASSETS	<u><u>\$ 4,073,797</u></u>	<u><u>\$ 2,869,839</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 60,930	\$ 50,114
Accounts payable	71,654	84,043
Accrued expenses	<u>458,108</u>	<u>62,866</u>
Total Current Liabilities	<u>590,692</u>	<u>197,023</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	183,984	246,294
Deferred rent	<u>629</u>	<u>13,262</u>
Total Long-Term Liabilities	<u>184,613</u>	<u>259,556</u>
Total Liabilities	<u>775,305</u>	<u>456,579</u>
NET ASSETS		
Without donor restrictions	1,210,252	1,058,002
With donor restrictions	<u>2,088,240</u>	<u>1,355,258</u>
Total Net Assets	<u>3,298,492</u>	<u>2,413,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,073,797</u></u>	<u><u>\$ 2,869,839</u></u>

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
SUPPORT AND REVENUE				
Contributions	\$ 1,041,412	\$ 1,452,711	\$ 2,494,123	\$ 1,311,732
Government grants and contracts	445,112	-	445,112	624,465
Program service fees	225,912	-	225,912	159,241
Special events	146,929	-	146,929	97,272
Interest income	1,948	-	1,948	1,880
Net assets released from restrictions	719,729	(719,729)	-	-
Total Support and Revenue	<u>2,581,042</u>	<u>732,982</u>	<u>3,314,024</u>	<u>2,194,590</u>
EXPENSES				
Program services	1,870,109	-	1,870,109	1,481,430
Administrative	363,004	-	363,004	243,968
Fundraising and development	195,679	-	195,679	187,848
Total Expenses	<u>2,428,792</u>	<u>-</u>	<u>2,428,792</u>	<u>1,913,246</u>
CHANGE IN NET ASSETS	152,250	732,982	885,232	281,344
NET ASSETS, BEGINNING	<u>1,058,002</u>	<u>1,355,258</u>	<u>2,413,260</u>	<u>2,131,916</u>
NET ASSETS, ENDING	<u><u>\$ 1,210,252</u></u>	<u><u>\$ 2,088,240</u></u>	<u><u>\$ 3,298,492</u></u>	<u><u>\$ 2,413,260</u></u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Contributions	\$ 369,872	\$ 941,860	\$ 1,311,732
Government grants and contracts	624,465	-	624,465
Program service fees	159,241	-	159,241
Special events	97,272	-	97,272
Interest income	1,880	-	1,880
Net assets released from restrictions	818,986	(818,986)	-
	2,071,716	122,874	2,194,590
EXPENSES			
Program services	1,481,430	-	1,481,430
Administrative	243,968	-	243,968
Fundraising and development	187,848	-	187,848
	1,913,246	-	1,913,246
CHANGE IN NET ASSETS	158,470	122,874	281,344
NET ASSETS, BEGINNING	899,532	1,232,384	2,131,916
NET ASSETS, ENDING	\$ 1,058,002	\$ 1,355,258	\$ 2,413,260

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services					Total Program Services	Administrative	Fundraising & Development	Total
	Families	Youth	Senior Services	Food Shelf	Employment Services				
Salaries	154,485	109,654	10,344	99,303	90,587	464,373	143,282	63,170	670,825
Payroll taxes	11,877	8,004	3,293	7,729	6,189	37,092	10,214	4,284	51,590
Employee benefits	13,995	3,783	3,109	5,265	5,567	31,719	11,260	3,774	46,753
Total Personnel Costs	180,357	121,441	16,746	112,297	102,343	533,184	164,756	71,228	769,168
Contract services	4,489	2,376	57,249	10,658	634,833	709,605	74,171	54,978	838,754
Insurance	6,095	2,460	2,175	2,242	3,496	16,468	6,361	3,467	26,296
Professional services	8,355	4,568	4,748	16,503	6,415	40,589	31,708	5,076	77,373
Food, activities and supplies	1,357	-	104,418	91,020	100	196,895	15,866	2,577	215,338
Office supplies	232	-	82	6,431	369	7,114	5,325	(825)	11,614
Telephone	4,034	1,387	885	1,874	1,611	9,791	3,945	1,384	15,120
Postage	-	-	-	26	-	26	1,254	390	1,670
Occupancy	22,242	12,209	12,688	44,106	17,144	108,389	8,043	9,343	125,775
Repairs and maintenance	1,839	1,024	2,139	13,133	2,654	20,789	9,147	773	30,709
Equipment costs	2,062	764	-	-	-	2,826	2,024	1,855	6,705
Advertising	-	-	-	-	-	-	869	258	1,127
Dues and subscriptions	-	-	3,500	126	-	3,626	13,620	200	17,446
Local transportation	378	764	250	1,270	539	3,201	1,842	128	5,171
Conventions and meetings	-	-	-	-	-	-	644	3,492	4,136
Special events	173	-	-	-	10,000	10,173	2,075	26,681	38,929
Special assistance	86,597	27,833	3,337	7,039	12,070	136,876	6,384	8,229	151,489
Depreciation	14,031	7,702	8,004	27,824	10,815	68,376	5,074	5,894	79,344
Interest	(23)	551	551	551	551	2,181	9,896	551	12,628
Total Expenses	332,218	183,079	216,772	335,100	802,940	1,870,109	363,004	195,679	2,428,792

See accompanying notes

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

MERRICK COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 885,232	\$ 281,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,344	78,852
Change in:		
Accounts receivable	139,149	(80,706)
Contributions receivable	(22,159)	37,407
Prepaid expenses	(6,874)	(2,909)
Accounts payable	(12,389)	(27,305)
Accrued expenses	395,242	25,682
Deferred rent	(12,633)	(12,292)
	1,444,912	300,073
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(5,926)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(51,492)	(47,448)
	1,393,420	246,699
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING	988,255	741,556
CASH AND CASH EQUIVALENTS, ENDING	\$ 2,381,675	\$ 988,255
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 12,628	\$ 15,765

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 its services in a number of ways. Youth needs are assessed and addressed through 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. MCS typically provides youth employment and career exploration programming in partnership with Saint Paul Public Schools and 3M as a summer program; and, MCS continues to weave youth career exploration into other elements of 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, 2022 and 2021.

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, 2022 and 2021.

Donated Services

A substantial number of volunteers have donated significant amounts of their time to the Organization's activities, but these services do not meet the criteria for recognition as contributed services. The criteria for recognition are services that require specialized skills and would typically be purchased if not provided by donation.

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 expenditures. 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 \$0 and \$217,352 that have not been recognized at June 30, 2022 and 2021, 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, 2022 and 2021, advertising costs were \$1,127 and \$9,866, respectively.

Property and Equipment

All expenditures for property and equipment in excess of \$10,000 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)

Reclassifications

Certain reclassifications may have been made in the prior year's amounts to conform with current year statement presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 22, 2022, the date the financial statements were available to be issued.

NOTE 2. CONCENTRATIONS

From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as the result of other concentrations of credit risk.

The Organization receives substantially all of its support and revenue from foundations and government agencies located primarily in Minnesota. Any significant decrease in this support could negatively impact the Organization's operations.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Building improvements	\$ 1,556,367	\$ 1,556,367
Equipment	26,439	88,360
Vehicles	6,889	6,889
 Total Cost	 1,589,695	 1,651,616
Less: Accumulated Depreciation	(407,051)	(389,626)
 Net Property and Equipment	 \$ 1,182,644	 \$ 1,261,990

Depreciation expense of \$79,344 and \$78,852 was provided for the years ended June 30, 2022 and 2021, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT

At June 30, 2022 and 2021, long-term debt consisted of the following:

	2022	2021
Note payable due in monthly installments of \$3,826, including interest at 3.99%, secured by the Organization's assets, maturing August 2025	\$ 140,026	\$ 178,254
 Note payable due in monthly installments of \$2,059, including interest at 3.99%, secured by the Organization's assets with a final payment due February 2027	104,888	118,154
Total long term debt	\$ 244,914	\$ 296,408
Less: current maturities	(60,930)	(47,747)
	\$ 183,984	\$ 248,661

At June 30, 2022, future maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2023	\$ 60,930
2024	63,848
2025	66,926
2026	37,153
2027	16,057
	\$ 244,914

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 4.5% (effective rate of 4.75% and 4.50% as of June 30, 2022 and 2021, respectively) and is secured by the general business assets. As of June 30, 2022 and 2021, there were no outstanding balances on this line of credit. The line is scheduled to mature in December 2023.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific purpose		
Families	\$ 90,400	\$ 153,000
Youth	485,975	385,975
Senior Services	18,840	-
Food Shelf	49,846	78,470
Employment Services	1,443,179	575,563
Time restricted	<u>-</u>	<u>162,250</u>
Net assets with donor restrictions	<u>\$ 2,088,240</u>	<u>\$ 1,355,258</u>

Net Assets Released from Restrictions

The net assets released from restrictions for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Specific purpose:		
Families	\$ 153,000	\$ 113,000
Youth	-	24,803
Senior Services	-	20,000
Food Shelf	78,470	191,470
Employment Services	326,009	350,008
Development	-	8,750
Time restricted	<u>162,250</u>	<u>110,955</u>
Net assets released from restrictions	<u>\$ 719,729</u>	<u>\$ 818,986</u>

NOTE 7. 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, 2022 and 2021 amounted to \$7,431 and \$4,674, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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 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.

NOTE 8. LEASE COMMITMENTS

The Organization leases office space with Gustavus Adolphus Church under a noncancelable lease ending May 2027. Rental rates per lease year range from \$11.36 to \$12.57 per square foot. Rent expense is recognized straight-line over the term of the lease at a rate of approximately \$150,850, per year and a related deferred rent liability of \$629 and \$13,262 was recorded at June 30, 2022 and 2021, 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, for the years ended June 30, 2022 and 2021.

As of June 30, 2022, 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>
2023	\$ 153,578
2024	157,257
2025	161,051
2026	155,823
2027	<u>145,372</u>
	<u>\$ 773,081</u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 9. AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at June 30, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$2,381,675	\$ 988,255
Accounts and contributions receivable, net	488,966	605,956
Total financial assets	2,870,641	1,594,211
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,088,240	1,355,258
Less net assets with purpose restrictions to be met in less than a year	(2,088,240)	(1,355,258)
Financial assets available to meet general expenditures over the twelve months	\$2,870,641	\$ 1,594,211

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 10. PPP FUNDING

In April 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 Organization met the PPP’s eligibility criteria and therefore, concluded that the PPP loan represents, in substance, a grant. As a result, the Organization accounted for the PPP loan in accordance with ASC 958-605 as a conditional contribution. During the years ended June 30, 2022 and 2021, the Organization recognized \$0 and \$35,955, respectively, as government grant revenue.