

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2024 and 2023



Harrington Langer & Associates
Certified Public Accountants
563 Phalen Boulevard, St. Paul, MN 55130
651-481-1128 Phone | 651-481-0982 Fax
www.hlaccountants.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Merrick Community Services
Saint 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, 2024 and 2023, 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, 2024 and 2023, 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.

Prior Period Adjustment

As discussed in Note 13 to the financial statements, a prior period adjustment was made to record the value of the Unemployment Services Trust account. Our opinion is not modified with respect to this matter.

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.

Mark Harrington, CPA (Retired) | Wayne Langer, CPA | Greg Emmerich, CPA | Nichole Fairbanks, CPA
Michael Belknap, CPA | Jesse Fraley, CPA | Anna Anderson, CPA | Steven Schurhamer, CPA | Logan Jensen, CPA

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.



November 5, 2024

MERRICK COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024			
	General	Lawful		
	Fund	Gambling	Total	2023
		Fund		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,510,416	\$ 49,585	\$ 1,560,001	\$ 1,322,149
Accounts receivable	7,098	-	7,098	97,819
Grants and contributions receivable	1,173,835	-	1,173,835	672,828
Prepaid expenses	16,042	-	16,042	27,927
Total Current Assets	2,707,391	49,585	2,756,976	2,120,723
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$583,592 and \$490,857, respectively	1,067,305	-	1,067,305	1,160,040
OTHER ASSETS				
Operating lease right-of-use asset, net of right-of-use accumulated amortization of \$196,252 and \$100,575, respectively	1,798,405	-	1,798,405	1,894,081
Finance lease right-of-use asset, net of right-of-use accumulated amortization of \$19,198 and \$9,599, respectively	10,399	-	10,399	19,997
Other asset	65,520	-	65,520	52,039
Total other assets	1,874,324	-	1,874,324	1,966,117
TOTAL ASSETS	\$ 5,649,020	\$ 49,585	\$ 5,698,605	\$ 5,246,880
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 67,109	\$ -	\$ 67,109	\$ 63,848
Short-term lease liabilities, current portion	85,044	-	85,044	77,846
Accounts payable	254,427	-	254,427	362,783
Accrued expenses	168,562	-	168,562	223,156
Total Current Liabilities	575,142	-	575,142	727,633
LONG-TERM LIABILITIES				
Long-term debt, net of current maturities	51,602	-	51,602	119,232
Lease liabilities, net of current portion	1,785,272	-	1,785,272	1,870,316
Total Long-Term Liabilities	1,836,874	-	1,836,874	1,989,548
Total Liabilities	2,412,016	-	2,412,016	2,717,181
NET ASSETS				
Without donor restrictions	882,487	49,585	932,072	954,373
With donor restrictions	2,354,517	-	2,354,517	1,575,326
Total Net Assets	3,237,004	49,585	3,286,589	2,529,699
TOTAL LIABILITIES AND NET ASSETS	\$ 5,649,020	\$ 49,585	\$ 5,698,605	\$ 5,246,880

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024
(With Comparative Totals for 2023)

	General Fund		Lawful		
	Without Donor	With Donor	Gambling	Total	Total
	Restrictions	Restrictions	Fund	2024	2023
SUPPORT AND REVENUE					
Grants and contributions	\$ 609,562	\$ 2,784,532	\$ -	\$ 3,394,094	\$ 2,036,732
Government grants and contracts	1,607,302	13,393	-	1,620,695	576,610
Program service fees	244,080	-	-	244,080	113,847
Special events	117,884	-	-	117,884	155,427
Interest income	7,140	-	-	7,140	7,434
In-kind contributions	120,251	-	-	120,251	134,682
Gambling revenue	-	-	20,502	20,502	1,049
Other revenue	-	-	-	-	504
Net assets released from restrictions	2,018,734	(2,018,734)	-	-	-
Total Support and Revenue	4,724,953	779,191	20,502	5,524,646	3,026,285
EXPENSES					
Program services	3,969,289	-	15,206	3,984,495	3,054,183
Administrative	533,294	-	-	533,294	410,617
Fundraising and development	249,967	-	-	249,967	382,317
Total Expenses	4,752,550	-	15,206	4,767,756	3,847,117
CHANGE IN NET ASSETS	(27,597)	779,191	5,296	756,890	(820,832)
NET ASSETS, BEGINNING	910,084	1,575,326	44,289	2,529,699	3,350,531
NET ASSETS, ENDING	\$ 882,487	\$ 2,354,517	\$ 49,585	\$ 3,286,589	\$ 2,529,699

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	General Fund		Lawful	Total
	Without Donor	With Donor	Gambling	2023
	Restrictions	Restrictions	Fund	
SUPPORT AND REVENUE				
Grants and contributions	\$ 909,732	\$ 1,127,000	\$ -	\$ 2,036,732
Gambling revenue	-	-	1,049	1,049
Government grants and contracts	576,610	-	-	576,610
Program service fees	113,847	-	-	113,847
Special events	155,427	-	-	155,427
Interest income	7,434	-	-	7,434
In-kind contributions	134,682	-	-	134,682
Other revenue	504	-	-	504
Net assets released from restrictions	1,639,914	(1,639,914)	-	-
Total Support and Revenue	3,538,150	(512,914)	1,049	3,026,285
EXPENSES				
Program services	3,047,423	-	6,760	3,054,183
Administrative	410,617	-	-	410,617
Fundraising and development	382,317	-	-	382,317
Total Expenses	3,840,357	-	6,760	3,847,117
CHANGE IN NET ASSETS				
BEFORE NET ASSETS TRANSFERS	(302,207)	(512,914)	(5,711)	(820,832)
Transfers to the Lawful Gambling Fund	(50,000)	-	50,000	-
NET ASSETS, BEGINNING	1,262,291	2,088,240	-	3,350,531
NET ASSETS, ENDING	<u>\$ 910,084</u>	<u>\$ 1,575,326</u>	<u>\$ 44,289</u>	<u>\$ 2,529,699</u>

MERRICK COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 756,890	\$ (820,832)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	92,734	90,694
Amortization of finance right-of-use asset	9,599	9,599
Change in:		
Accounts receivable	90,721	(53,182)
Grants and contributions receivable	(501,007)	(228,499)
Prepaid expenses	11,885	(7,415)
Other asset	(13,481)	-
Accounts payable	(108,356)	291,129
Accrued expenses	(54,594)	(234,952)
Operating lease asset and liability	27,136	33,411
Deferred rent	-	(628)
	<u>311,527</u>	<u>(920,675)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(68,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease	(9,308)	(8,927)
Payments on long-term debt	<u>(64,368)</u>	<u>(61,834)</u>
	<u>(73,676)</u>	<u>(70,761)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	237,851	(1,059,526)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,322,149</u>	<u>2,381,675</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,560,001</u></u>	<u><u>\$1,322,149</u></u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 6,312	\$ 6,752

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	Lawful Gambling Fund	Program Services					Total Program Services	Administrative	Fundraising & Development	Total
		Family & Community Service	Meals on Wheels	Food Shelf	Employment & Career Services	Xchange				
Salaries	\$ 2,671	\$ 442,550	\$ 78,931	\$ 152,316	\$ 149,530	\$ 20,575	\$ 843,902	\$ 176,314	\$ 85,605	\$ 1,108,492
Payroll taxes	416	32,290	5,843	11,334	10,868	1,617	61,952	12,050	6,084	80,502
Employee benefits	-	48,899	11,389	15,542	21,702	2,860	100,392	13,426	11,547	125,365
Total Personnel Costs	3,087	523,739	96,163	179,192	182,100	25,052	1,006,246	201,790	103,236	1,314,359
Contract services	4,050	39,913	8,541	14,649	103,096	115,944	282,143	101,060	37,795	425,048
Food, activities and supplies	-	3,345	124,967	135,818	6,761	-	270,891	-	-	270,891
Direct client assistance	-	347,612	-	-	609,740	901,271	1,858,623	-	13	1,858,636
Occupancy	2,145	77,346	12,924	30,529	23,213	2,554	146,566	22,337	11,230	182,278
Professional fees	1,057	46,966	7,997	19,303	13,807	3,559	91,632	141,855	7,709	242,253
Business licenses and permits	2,964	518	434	683	214	5	1,854	123	89	5,030
Bad debt expenses	-	-	5,158	-	-	-	5,158	-	-	5,158
Events expense	191	2,498	218	531	465	17	3,729	5,046	31,809	40,775
Conventions and meetings	-	3,302	440	1,083	691	342	5,858	8,921	1,206	15,985
Depreciation and amortization	-	26,199	5,365	23,969	6,239	1,038	62,810	26,387	3,537	92,734
Dues and subscriptions	209	1,620	3,019	1,183	1,072	240	7,134	444	1,802	9,589
Insurance	-	8,876	1,539	3,642	2,828	268	17,153	2,453	1,342	20,948
Interest	-	1,984	321	793	489	75	3,662	2,386	264	6,312
Office supplies	-	4,013	780	2,550	1,928	214	9,485	4,009	2,952	16,446
In-kind and other expense	500	95,578	615	25,563	156	47	121,959	1,229	26,184	149,872
Miscellaneous	1,000	-	-	-	-	-	-	8,235	-	9,235
Printing and publications	3	11,259	719	1,735	1,145	196	15,054	1,251	17,125	33,433
Repairs and maintenance	-	7,819	1,780	6,808	3,094	225	19,726	2,261	1,323	23,310
Telephone	-	13,511	2,277	5,522	3,967	467	25,744	3,170	1,982	30,896
Travel expenses	-	8,083	667	4,205	885	22	13,862	337	369	14,568
Total Expenses	\$ 15,206	\$ 1,224,181	\$ 273,924	\$ 457,758	\$ 961,890	\$ 1,051,536	\$ 3,969,289	\$ 533,294	\$ 249,967	\$ 4,767,756

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Lawful Gambling Fund	Program Services						Total Program Services	Administrative	Fundraising & Development	Total
		Families	Youth	Senior Services	Food Shelf	Employment Services	Xchange				
Salaries	\$ 161	\$ 338,880	\$ 2,817	\$ 64,516	\$ 140,954	\$ 94,150	\$ 20,055	\$ 661,372	\$ 82,598	\$ 125,390	\$ 869,521
Payroll taxes	12	25,355	199	4,746	10,551	6,463	1,481	48,795	2,892	9,022	60,721
Employee benefits	-	18,041	275	7,489	14,731	10,249	760	51,545	17,719	8,095	77,359
				-	-						
Total Personnel Costs	173	382,276	3,291	76,751	166,236	110,862	22,296	761,712	103,209	142,507	1,007,601
Contract services	1,325	25,192	1,742	12,654	18,921	78,150	1,350,978	1,487,637	58,937	54,749	1,602,648
Food, activities and supplies	-	-	234	-	142,085	1,300	125	143,744	429	167	144,340
Direct client assistance	-	146,816	-	113,381	500	11,131	-	271,828	-	-	271,828
Maintenance supplies	-	-	-	-	8,489	-	-	8,489	-	-	8,489
Occupancy	244	46,146	444	10,635	23,880	14,440	3,710	99,255	65,972	11,998	177,469
Professional fees	2,150	51,621	336	13,253	31,236	17,043	3,798	117,287	51,319	13,766	184,522
Business licenses and permits	-	158	-	28	507	33	16	742	1,340	41	2,123
Events expense	-	1,451	4,266	-	1,100	-	-	6,817	275	32,604	39,696
Conventions and meetings	-	349	-	179	62	607	-	1,197	7,366	919	9,482
Depreciation and amortization	-	5,278	-	2,794	16,712	2,317	-	27,101	61,969	1,624	90,694
Dues and subscriptions	-	722	9	1,237	216	201	74	2,459	6,173	195	8,827
Insurance	120	5,914	59	2,290	5,891	1,497	499	16,150	1,645	1,561	19,476
Interest	-	-	-	-	-	-	-	-	9,883	-	9,883
Office supplies	845	4,448	12	1,288	4,083	2,231	794	12,856	9,318	6,385	29,404
Board expense	-	-	-	-	-	-	-	-	4,540	498	5,038
In-kind expense	-	1,202	-	-	33,018	-	-	34,220	-	100,462	134,682
Miscellaneous	1,800	2,691	-	-	-	-	-	2,691	6,576	217	11,284
Printing and publications	103	12,537	14	194	396	320	89	13,550	5,140	8,061	26,854
Repairs and maintenance	-	3,905	13	1,584	5,501	2,261	284	13,548	8,759	3,747	26,054
Telephone	-	9,159	48	2,165	5,235	2,684	660	19,951	7,284	2,736	29,971
Travel expenses	-	2,287	-	-	3,889	13	-	6,189	483	80	6,752
Total Expenses	<u>\$ 6,760</u>	<u>\$ 702,152</u>	<u>\$ 10,468</u>	<u>\$ 238,433</u>	<u>\$ 467,957</u>	<u>\$ 245,090</u>	<u>\$ 1,383,323</u>	<u>\$ 3,047,423</u>	<u>\$ 410,617</u>	<u>\$ 382,317</u>	<u>\$ 3,847,117</u>

See accompanying notes

**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 Saint Paul, Minnesota, by empowering individuals, strengthening families, and promoting their independence through MCS programs as follows:

The Lawful Gambling Fund - The Organization operates lawful gambling at one location in the City of Saint Paul.

Family & Community Services - Merrick's Family & Community Services Case Managers utilize intervention and prevention resources, tools, information, and referrals to address and/or service the comprehensive and complex needs of the whole family. Merrick case management services are offered through a partnership with Ramsey County Human Services – Family & Community Partnership (FCP) / Parent Support Outreach Program (PSOP) & Family Emergency Funds. FCP/PSOP is designed to assist low-income families with basic needs and information regarding community resources.

Merrick also provides housing support to families in need, specially focused on preventing homelessness and promoting longer-term housing stability.

Meals On Wheels - The Merrick Meals on Wheels program provides services that enable area seniors and other homebound individuals to remain independent and continue living in their own homes for as long as possible. Merrick also provides seasonal cleanup crews to help seniors with yardwork and light maintenance in support of their continued independent living.

Food Shelf - Providing a variety of high-quality foods and household supplies, Merrick's Food Shelf offers East Side of Saint Paul and Maplewood residents nutritious foods through a client-choice model at our Arcade Food Shelf, as well as additional distributions through school and faith-based sites throughout the year.

Employment & Career Services – Merrick's Employment and Career Services program provides resources and skills to East Side residents to pursue employment and career opportunities. Our programming provides under/unemployed adults and youth with access to skill training programs, job search assistance, and other supports. In addition to broad employment support, Merrick offers training in Human Services and Entrepreneur career pathways for 18–30-year-old Ramsey County residents.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employment & Career Services (continued)– MCS provides youth with employment and career exploration programming through MPower, a Merrick program that typically runs two or three cohorts annually with East Side youth.

Partnership for Equitable & Resilient Communities (PERC) – In 2023, Merrick was selected as the Local Backbone Organization for the Partnership for Equitable and Resilient Communities (PERC) Cohort in Saint Paul. MCS serves as the convener of a collaborative community table that catalyzes systems change in Saint Paul through the creation of a data-centered community action plan. MCS also acts as an intermediary for grants/contracts of up to \$5 Million over three years. PERC is a results-driven partnership between community, philanthropy, and government that advances racial equity and justice by shifting power and resources to Black, Indigenous, Asian and Southeast Asian, and Latino/a/x people living in low wealth, under-resourced communities.

East Side Employment xChange - Merrick is a leader (and fiscal sponsor) for the East Side Employment xChange, a collaborative of 14 partners serving East Side communities with employment services and relationships to area employers. The xChange is focused on creating more equitable and numerous employment opportunities for residents of the East Side of Saint Paul, serving as a single point of contact for employers to source talent and engage East Side jobseekers with participant-centered and aspirational coaching.

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. Under Minnesota state law, all funds received as a result of lawful gambling must be physically separated from general operating funds and disbursed only for charitable purposes. Accordingly, the balance of undisbursed funds is presented as net assets without donor restrictions – designated for lawful gambling. 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.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

The standard was adopted effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in a noncancellable operating lease for office space. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes lease liability and right-of-use (ROU) asset at the commencement date of the lease.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ROU Assets

An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the term of the lease. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

Lease Liabilities

A lease liability is measured on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization has made the election to use a risk-free rate in lieu of its incremental borrowing rate using a period comparable with that of the individual lease term based on the information available at the commencement date for each lease.

Accounting Policy Election for Short-term Leases:

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

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 Credit Losses

Effective July 1, 2023, the Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the organization's accounting policy election. The total amount of write offs was immaterial to the financial statements as a whole for the year ended June 30, 2024. Accordingly, there was no allowance for credit losses at June 30, 2024.

Allowance for Doubtful Accounts

For the year ended June 30, 2023, the Organization provided an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At June 30, 2023, management considered all outstanding accounts receivable amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Grants and Contributions Receivable

Contributions receivables consist of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using the present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

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)

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 \$343,007 and \$507,632 that have not been recognized at June 30, 2024 and 2023, 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.

In-kind Donations

The Organization's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair value when received. The Organization does not sell donated in-kind gifts. In-kind donations of \$120,251 and \$134,682 were recorded for the years ended June 30, 2024 and 2023, respectively.

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.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are charged to expense as incurred. During the years ended June 30, 2024 and 2023, advertising costs were \$33,433 and \$26,854, respectively.

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. The Organization's lawful gambling operations are subject to Federal and State of Minnesota income taxes on its unrelated business income. No taxes were incurred by the Gambling Fund by the year ended June 30, 2024.

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.

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 November 5, 2024, 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.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 3. UNEMPLOYMENT SERVICES TRUST

The Organization makes contributions to Unemployment Services Trust. The Trust is used to pay unemployment claims made to the Organization. This trust is a pooled fund. The trust's pooled assets were comprised of domestic and international equities, domestic bonds, and cash and cash equivalents. The trust is recorded in other assets on the statement of financial position.

NOTE 4. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">• Quoted prices for similar assets/liabilities in active markets;• Quoted prices for identical or similar assets in non-active markets;• Inputs other than quoted prices that are observable for the asset/liability; and,• Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

The Unemployment Services Trust is valued at the amount reported by the trust based on quoted prices of the underlying investment holdings. This asset is Level 2 on the fair value hierarchy. There were no changes in the valuation methodologies.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Building improvements	\$ 1,556,367	\$ 1,556,367
Equipment	26,439	26,439
Vehicles	<u>68,091</u>	<u>68,091</u>
 Total Cost	 1,650,897	 1,650,897
Less: Accumulated Depreciation	<u>(583,592)</u>	<u>(490,857)</u>
 Net Property and Equipment	 <u><u>\$ 1,067,305</u></u>	 <u><u>\$ 1,160,040</u></u>

Depreciation expense of \$92,734 and \$90,694 was provided for the years ended June 30, 2024 and 2023, respectively.

NOTE 6. LINE OF CREDIT

The Organization has a \$200,000 revolving line of credit agreement with Lake Elmo Bank. Interest is payable monthly at the prime rate as published in the Wall Street Journal, effective rate of 8.50% as of June 30, 2024. The line of credit is secured by the general business assets. As of June 30, 2024, there was no outstanding balance on this line of credit. The line is scheduled to mature in December 2025.

The Organization had a \$100,000 revolving line of credit agreement with Lake Elmo Bank. Interest was payable monthly at the prime rate as published in the Wall Street Journal, effective rate of 8.25% as of June 30, 2023. The line of credit was secured by the general business assets. As of June 30, 2023, there was no outstanding balance on this line of credit.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

At June 30, 2024 and 2023, long-term debt consisted of the following:

	<u>2024</u>	<u>2023</u>
Note payable due in monthly installments of \$3,826, including interest at 3.99%, secured by the Organization's assets, maturing August 2025	\$ 56,360	\$ 99,035
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	<u>62,351</u>	<u>84,045</u>
Total long term debt	\$ 118,711	\$ 183,080
Less: current maturities	<u>(67,109)</u>	<u>(63,848)</u>
	<u><u>\$ 51,602</u></u>	<u><u>\$ 119,232</u></u>

At June 30, 2024, future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 67,109
2026	35,436
2027	<u>16,166</u>
	<u><u>\$ 118,711</u></u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023 amounted to \$7,168 and \$3,237, respectively.

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 9. RESTRICTIONS ON NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2024 and 2023:

	2024	2023
Specific purpose		
Families	\$ 246,832	\$ -
Youth	282,352	282,352
Food Shelf	11,919	886
Employment Services	301,022	811,155
PERC	1,207,692	-
Time restricted	304,700	480,933
	<u> </u>	<u> </u>
Net assets with donor restrictions	<u>\$ 2,354,517</u>	<u>\$ 1,575,326</u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 9. RESTRICTIONS ON NET ASSETS (continued)

Net Assets Released from Restrictions

The net assets released from restrictions for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Specific purpose:		
Families	\$ -	\$ 90,400
Youth	-	100,000
Senior Services	-	18,840
Food Shelf	7,360	48,960
Employment Services	1,428,133	1,381,714
PERC	92,308	-
Time restricted	490,933	-
	<u> </u>	<u> </u>
Net assets released from restrictions	<u>\$ 2,018,734</u>	<u>\$ 1,639,914</u>

NOTE 10. LEASE COMMITMENTS

The Organization leases office space and equipment under various long-term non-cancellable operating and finance lease arrangements that expire through May 2027. Most leases include renewal options which can extend the lease term. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The components of lease costs and statement of function expenses category that includes the costs for the year ended June 30, 2024, are as follow:

Finance lease costs:	
Amortization of ROU assets (Office expense)	\$ 9,599
Interest on lease liabilities (Interest expenses)	652
Operating lease costs (Occupancy)	<u>174,436</u>
	<u>\$ 184,687</u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LEASE COMMITMENTS (continued)

Supplemental cash flow information for the year ended June 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from finance leases (i.e. interest)	\$	652
Financing cash flows from finance leases (i.e. principal portion)	\$	9,308
Operating cash flows from operating leases	\$	147,297

Weighted average lease term and discount rate as of June 30, 2024 were as follows:

Weighted average remaining lease term for finance lease	1.2 Years
Weighted average remaining lease term for operating lease	13.9 Years
Weighted average discount rate for finance leases	4.18%
Weighted average discount rate for operating leases	4.18%

As of June 30, 2024, future minimum lease payments, including estimated operating expenses, under the above operating lease were as follows:

Year Ending June 30,	Finance Leases	Operating Leases
2025	\$ 9,960	\$ 151,091
2026	1,660	154,993
2027	-	158,926
2028	-	162,995
2029	-	167,168
Thereafter	-	1,692,942
Total lease payments	11,620	2,488,115
Less: interest	(259)	(629,161)
Present value of lease liabilities	<u>\$ 11,361</u>	<u>\$ 1,858,954</u>

During the year ended June 30, 2023, the Organization entered into a lease agreement for a lawful gambling site. The lease agreement requires monthly payments equal to 15% of the monthly gross profits (revenues less prizes paid) for electronic games and 20% of the monthly gross profits, not to exceed \$1,750 for all other games. The lease agreement may be terminated upon 60 days advance notice by either party. Rent paid was \$2,659 and \$0 for the years ended June 30, 2023 and 2024, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 11. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,560,001	\$ 1,322,149
Accounts and contributions receivable, net	<u>1,180,933</u>	<u>770,647</u>
Financial assets available to meet general expenditures over the twelve months	<u><u>\$2,740,934</u></u>	<u><u>\$ 2,092,796</u></u>

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 12. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>Utilization in Programs/Activities</u>
Food	\$ 25,353	\$ 33,018	Food Shelf, Food Drive, and Meals on Wheels
Office furniture and supplies	37,014	77,674	Supporting Services
Program supplies for participant events	<u>57,884</u>	<u>23,990</u>	Back to School Celebration and Holiday Share
	<u><u>\$120,251</u></u>	<u><u>\$ 134,682</u></u>	

Contributed food, program and office supplies are valued using estimated U.S. prices for identical products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Contributed food and program supplies are used in program services. No restricted contributions of in-kind contributions were received for the year ended June 30, 2024 and 2023.