

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2025



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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, 2025, and the related statements of activities, cash flows and functional expenses for the year 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, 2025, 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.

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

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.

Report on Summarized Comparative Information

We have previously audited Merrick Community Service's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 15, 2025

MERRICK COMMUNITY SERVICES
STATEMENT OF FINANCIAL POSITION
June 30, 2025
(With Comparative Totals for 2024)

	2025			
	General	Lawful		
	Fund	Gambling	Total	2024
		Fund		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 864,866	\$ 47,252	\$ 912,118	\$ 1,560,001
Accounts receivable	39,469	-	39,469	7,098
Grants and contributions receivable	1,129,047	-	1,129,047	1,173,835
Prepaid expenses	28,909	260	29,169	16,042
Total Current Assets	2,062,291	47,512	2,109,803	2,756,976
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$676,559 and \$583,592, respectively	974,338	-	974,338	1,067,305
OTHER ASSETS				
Operating lease right-of-use asset, net of right-of-use accumulated amortization of \$306,424 and \$215,450, respectively	1,742,426	-	1,742,426	1,808,804
Other asset	74,351	-	74,351	65,520
Total other assets	1,816,777	-	1,816,777	1,874,324
TOTAL ASSETS	<u>\$ 4,853,406</u>	<u>\$ 47,512</u>	<u>\$ 4,900,918</u>	<u>\$ 5,698,605</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 35,771	\$ -	\$ 35,771	\$ 67,109
Short-term lease liabilities, current portion	100,358	-	100,358	85,044
Accounts payable	121,213	-	121,213	254,427
Deferred revenue	15,000	-	15,000	-
Accrued expenses	122,331	-	122,331	168,562
Total Current Liabilities	394,673	-	394,673	575,142
LONG-TERM LIABILITIES				
Long-term debt, net of current maturities	15,902	-	15,902	51,602
Lease liabilities, net of current portion	1,725,962	-	1,725,962	1,785,272
Total Long-Term Liabilities	1,741,864	-	1,741,864	1,836,874
Total Liabilities	2,136,537	-	2,136,537	2,412,016
NET ASSETS				
Without donor restrictions	676,618	47,512	724,130	932,072
With donor restrictions	2,040,251	-	2,040,251	2,354,517
Total Net Assets	2,716,869	47,512	2,764,381	3,286,589
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,853,406</u>	<u>\$ 47,512</u>	<u>\$ 4,900,918</u>	<u>\$ 5,698,605</u>

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	2025				
	General Fund		Lawful		
	Without Donor	With Donor	Gambling	Total	Total
	Restrictions	Restrictions	Fund	2025	2024
SUPPORT AND REVENUE					
Grants and contributions	\$ 708,435	\$ 829,663	\$ -	\$ 1,538,098	\$ 3,394,094
Government grants and contracts	2,228,211		-	2,228,211	1,620,695
Program service fees	277,975	-	-	277,975	244,080
Special events	103,438	-	-	103,438	117,884
Interest income	14,270	-	-	14,270	7,140
In-kind contributions	65,366	-	-	65,366	120,251
Gambling revenue, net of cash prizes	-	-	32,937	32,937	20,502
Other revenue	1,888	-	-	1,888	-
Net assets released from restrictions	1,143,929	(1,143,929)	-	-	-
Total Support and Revenue	4,543,512	(314,266)	32,937	4,262,183	5,524,646
EXPENSES					
Program services	4,040,076	-	35,010	4,075,086	3,984,495
Administrative	402,813	-	-	402,813	533,294
Fundraising and development	306,492	-	-	306,492	249,967
Total Expenses	4,749,381	-	35,010	4,784,391	4,767,756
CHANGE IN NET ASSETS	(205,869)	(314,266)	(2,073)	(522,208)	756,890
NET ASSETS, BEGINNING	882,487	2,354,517	49,585	3,286,589	2,529,699
NET ASSETS, ENDING	\$ 676,618	\$ 2,040,251	\$ 47,512	\$ 2,764,381	\$ 3,286,589

MERRICK COMMUNITY SERVICES
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (522,208)	\$ 756,890
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	92,967	92,735
Change in:		
Accounts receivable	(32,371)	90,721
Contributions receivable	44,788	(501,007)
Prepaid expenses	(13,127)	11,885
Other asset	(8,831)	(13,481)
Accounts payable	(133,214)	(108,356)
Accrued expenses	(46,231)	(54,594)
Operating lease asset and liability	22,383	27,427
Deferred revenue	15,000	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(580,844)</u>	<u>302,220</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(67,039)</u>	<u>(64,368)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(67,039)</u>	<u>(64,368)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(647,883)	237,852
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,560,001</u>	<u>1,322,149</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 912,118</u></u>	<u><u>\$1,560,001</u></u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 3,640	\$ 6,312

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	2025											
	Program Services											Total
	Lawful Gambling Fund	Family & Community Service	Meals on Wheels	Food Shelf	Employment & Career Services	PERC	Xchange	Total Program Services	Administrative	Fundraising & Development	Total 2025	Total 2024
Salaries	\$ 8,822	\$ 545,712	\$ 70,673	\$ 146,260	\$ 178,106	\$ 174,487	\$ 22,165	\$ 1,137,403	\$ 102,673	\$ 137,202	\$ 1,386,100	\$ 1,108,492
Payroll taxes	1,849	38,905	5,177	10,911	13,107	12,804	1,630	82,534	5,241	9,486	99,110	80,502
Employee benefits	2,930	74,273	7,099	14,254	18,893	16,284	2,974	133,777	13,401	13,723	163,831	125,365
Total Personnel Costs	13,601	658,890	82,949	171,425	210,106	203,575	26,769	1,353,714	121,315	160,411	1,649,041	1,314,359
Contract services	-	11,408	-	-	113,847	72,065	83,547	280,867	-	-	280,867	425,048
Food, activities and supplies	-	3,008	168,524	182,986	4,557	-	-	359,075	-	-	359,075	270,891
Direct client assistance	8,592	683,482	-	-	490,747	-	192,719	1,366,948	-	-	1,375,540	1,858,636
Occupancy	5,924	84,811	11,070	28,981	14,349	16,921	3,335	159,467	7,869	20,622	193,882	182,278
Professional fees	3,945	96,452	20,013	33,406	16,978	25,830	6,525	199,204	174,890	40,276	418,315	242,253
Business licenses and permits	-	-	-	-	-	-	-	-	1,571	-	1,571	5,030
Bad debt expenses	-	-	-	-	-	-	-	-	-	-	-	5,158
Events expense	315	491	61	169	74	2,090	7	2,892	925	38,858	42,990	40,775
Conventions and meetings	-	1,957	285	696	3,118	8,838	1,468	16,362	8,091	2,633	27,086	15,985
Depreciation and amortization	-	29,538	5,524	23,438	5,022	5,815	1,518	70,855	15,182	6,930	92,967	92,734
Dues and subscriptions	-	977	6,328	310	137	368	96	8,216	13,107	1,714	23,037	9,589
Insurance	-	2,668	364	880	388	533	273	5,106	17,633	3,863	26,602	20,948
Interest	-	1,219	168	413	214	244	89	2,347	1,014	279	3,640	6,312
Office supplies	-	35,954	6,146	13,972	5,496	8,184	99	69,851	11,699	9,932	91,482	16,446
In-kind program supplies	1,985	36,318	234	29,087	249	292	167	66,347	1,551	3,289	73,172	149,872
Miscellaneous	415	996	854	1,095	1,151	1,572	153	5,821	371	914	7,521	9,235
Printing and publications	233	2,617	369	894	394	692	278	5,244	9,483	10,093	25,053	33,433
Repairs and maintenance	-	12,403	1,776	4,408	1,902	2,655	218	23,362	4,969	2,761	31,092	23,310
Telephone	-	14,141	1,839	4,908	3,170	2,716	559	27,333	2,402	3,611	33,346	30,896
Travel expenses	-	6,938	430	9,082	278	266	71	17,065	10,741	306	28,112	14,568
Total Expenses	\$ 35,010	\$ 1,684,268	\$ 306,934	\$ 506,150	\$ 872,177	\$ 352,656	\$ 317,891	\$ 4,040,076	\$ 402,813	\$ 306,492	\$ 4,784,391	\$ 4,767,756

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 nonprofit 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 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.

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 and cancellable operating lease for printers. 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 a lease liability and right-of use asset (ROU) at the commencement date of the lease.

ROU Assets

A 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.

**MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Designated for Lawful Gambling

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 designated for lawful gambling.

Cash and Cash Equivalents

For purposes of the statement 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

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, 2025. Accordingly, there was no allowance for credit losses at June 30, 2025.

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.

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

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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 \$806,379 that have not been recognized at June 30, 2025, 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 \$65,366 were recorded for the year ended June 30, 2025.

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.

Advertising

Advertising costs are charged to expense as incurred. During the year ended June 30, 2025, advertising costs were \$24,504.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2025.

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.

Comparative Financial Information:

The financial statements include certain prior year summarized comparative totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2024, from which the summarized information was derived.

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 October 15, 2025, the date the financial statements were available to be issued.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

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. UNEMPLOYMENT SERVICES TRUST

The Organization makes contributions to Unemployment Services Trust (the Trust). The Trust is used to pay unemployment claims made to the Organization. The 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 asset 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. |

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENT (continued)

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.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2025:

	<u>Amount</u>
Building improvements	\$ 1,556,367
Equipment	26,439
Vehicles	<u>68,091</u>
Total Cost	1,650,897
Less: Accumulated Depreciation	<u>(676,559)</u>
Net Property and Equipment	<u><u>\$ 974,338</u></u>

Depreciation expense of \$92,967 was provided for the year ended June 30, 2025.

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 7.50% as of June 30, 2025). The line of credit is secured by the general business assets. As of June 30, 2025, there were no outstanding balances on this line of credit. The line is scheduled to mature in December 2025.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

At June 30, 2025, long-term debt consisted of the following:

	<u>Amount</u>
Note payable due in monthly installments, including interest at 3.99%, secured by the Organization's assets, maturing August 2025	\$ 11,919
Note payable due in monthly installments, including interest at 3.99%, secured by the Organization's assets with a final payment due February 2027	<u>39,754</u>
Total long term debt	\$ 51,673
Less: current maturities	<u>(35,771)</u>
	<u><u>\$ 15,902</u></u>

At June 30, 2025, future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 35,771
2027	<u>15,902</u>
	<u><u>\$ 51,673</u></u>

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 year ended June 30, 2025 amounted to \$11,132.

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 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. The balance of this note payable was \$39,754 as of June 30, 2025.

NOTE 9. RESTRICTIONS ON NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2025:

	<u>Amount</u>
Specific purpose	
Families	\$ 175,783
Youth	282,352
Food Shelf	150,000
Employment Services	37,989
PERC	1,197,382
Time restricted	<u>196,745</u>
Net assets with donor restrictions	<u><u>\$2,040,251</u></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 year ended June 30, 2025, consisted of the following:

	<u>Amount</u>
Specific purpose:	
Families	\$ 121,049
Senior Services	20,000
Food Shelf	36,582
Employment Services	298,033
PERC	335,310
Time restricted	<u>332,955</u>
Net assets released from restrictions	<u><u>\$ 1,143,929</u></u>

NOTE 10. LEASE COMMITMENTS

The Organization leases office space under various long-term non-cancellable and cancellable operating 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 functional expenses category that includes the costs for the year ended June 30, 2025, are as follow:

Operating lease costs (Rent)	<u><u>\$ 187,236</u></u>
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Supplemental cash flow information for the year ended June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 163,891
ROU assets obtained in exchange for new operating lease liabilities	\$ 54,193

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 10. LEASE COMMITMENTS (continued)

Weighted average lease term and discount rate as of June 30, 2025 were as follows:

Weighted average remaining lease term for operating lease	12.7 years
Weighted average discount rate for operating leases	4.18%

As of June 30, 2025, future minimum lease payments, including estimated operating expenses, under the above operating lease were as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2026	\$ 174,193
2027	178,126
2028	169,395
2029	167,168
2030	171,447
Thereafter	<u>1,521,495</u>
Total lease payments	2,381,824
Less: interest	<u>(555,504)</u>
Present value of lease liabilities	<u><u>\$ 1,826,320</u></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 \$5,924 for the year ended June 30, 2025.

In November 2024, the Organization entered into a lease for office space from Baber Property Management LLC. This lease was to be for three years. Subsequent to year end the Organization terminated this lease and vacated the space.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 11. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2025:

	<u>Amount</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 912,118
Accounts and contributions receivable, net	<u>1,168,516</u>
Financial assets available to meet general expenditures over the twelve months	<u><u>\$ 2,080,634</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, 2025:

	<u>Amount</u>	<u>Utilization in Programs/Activities</u>
Food	\$ 27,780	Food Shelf, Food Drive, and Meals on Wheels
Office furniture and supplies	13,032	Supporting Services
Program supplies for participant events	<u>24,554</u>	Back to School Celebration and Holiday Share
	<u><u>\$ 65,366</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.