

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Merrick Community Services (a non-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Merrick Community Services as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harmington Langford & Associates
September 20, 2016

MERRICK COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,278,274	\$ 506,367
Accounts receivable	57,482	114,559
Contract for deed receivable, current portion	15,221	42,024
Pledges receivable, current portion	188,000	191,406
Investments	12,144	12,799
Prepaid expenses	4,045	3,113
Assets held for sale -Lafayette Rd. building and land	<u>-</u>	<u>1,261,081</u>
Total Current Assets	<u>1,555,166</u>	<u>2,131,349</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$63,751 and \$60,063, respectively	<u>5,058</u>	<u>8,746</u>
OTHER ASSETS		
Pledges receivable, long term	150,000	150,000
Contract for deed receivable, net of current portion	<u>284,338</u>	<u>301,495</u>
Total Other Assets	<u>434,338</u>	<u>451,495</u>
TOTAL ASSETS	<u><u>\$ 1,994,562</u></u>	<u><u>\$ 2,591,590</u></u>

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ -	\$ 77,716
Accounts payable	22,191	52,240
Accrued expenses	<u>34,363</u>	<u>22,299</u>
Total Current Liabilities	56,554	152,255
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	<u>-</u>	<u>647,284</u>
Total Liabilities	<u>56,554</u>	<u>799,539</u>
NET ASSETS		
Unrestricted	108,958	172,508
Temporarily restricted	<u>1,829,050</u>	<u>1,619,543</u>
Total Net Assets	<u>1,938,008</u>	<u>1,792,051</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,994,562</u></u>	 <u><u>\$ 2,591,590</u></u>

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
SUPPORT AND REVENUE				
Support				
Contributions	\$ 540,313	\$ 194,837	\$ 735,150	\$ 666,319
United Way	120,001	168,000	288,001	280,813
Net assets released from restrictions	<u>300,749</u>	<u>(300,749)</u>	<u>-</u>	<u>-</u>
Total Support	<u>961,063</u>	<u>62,088</u>	<u>1,023,151</u>	<u>947,132</u>
Revenue				
Government grants and contracts	273,543	16,000	289,543	367,150
Program service fees	63,333	-	63,333	87,397
Special events	71,183	-	71,183	69,682
Rental income	-	-	-	5,400
Investment income	9,610	-	9,610	10,541
Gain on sale of property and equipment	-	137,419	137,419	-
Other income (loss)	(148)	-	(148)	39,756
Net assets released from restrictions	<u>6,000</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>423,521</u>	<u>147,419</u>	<u>570,940</u>	<u>579,926</u>
Total Support and Revenue	<u>1,384,584</u>	<u>209,507</u>	<u>1,594,091</u>	<u>1,527,058</u>
EXPENSES				
Program services	1,026,618	-	1,026,618	1,031,992
Capital campaign	55,314	-	55,314	294,440
Administrative	218,223	-	218,223	204,839
Fundraising and development	<u>147,979</u>	<u>-</u>	<u>147,979</u>	<u>118,284</u>
Total Expenses	<u>1,448,134</u>	<u>-</u>	<u>1,448,134</u>	<u>1,649,555</u>
CHANGE IN NET ASSETS	(63,550)	209,507	145,957	(122,497)
NET ASSETS, BEGINNING	<u>172,508</u>	<u>1,619,543</u>	<u>1,792,051</u>	<u>1,914,548</u>
NET ASSETS, ENDING	<u><u>\$ 108,958</u></u>	<u><u>\$1,829,050</u></u>	<u><u>\$ 1,938,008</u></u>	<u><u>\$1,792,051</u></u>

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 313,403	\$ 352,916	\$ 666,319
United Way	118,013	162,800	280,813
Net assets released from restrictions	<u>640,805</u>	<u>(640,805)</u>	<u>-</u>
Total Support	<u>1,072,221</u>	<u>(125,089)</u>	<u>947,132</u>
Revenue			
Government grants and contracts	361,150	6,000	367,150
Program service fees	87,397	-	87,397
Special events	69,682	-	69,682
Rental income	5,400	-	5,400
Investment income	10,541	-	10,541
Other income	39,756	-	39,756
Net assets released from restrictions	<u>7,553</u>	<u>(7,553)</u>	<u>-</u>
Total Revenue	<u>581,479</u>	<u>(1,553)</u>	<u>579,926</u>
Total Support and Revenue	<u>1,653,700</u>	<u>(126,642)</u>	<u>1,527,058</u>
EXPENSES			
Program services	1,031,992	-	1,031,992
Capital campaign	294,440	-	294,440
Administrative	204,839	-	204,839
Fundraising and development	<u>118,284</u>	<u>-</u>	<u>118,284</u>
Total Expenses	<u>1,649,555</u>	<u>-</u>	<u>1,649,555</u>
CHANGE IN NET ASSETS	4,145	(126,642)	(122,497)
NET ASSETS, BEGINNING	<u>168,363</u>	<u>1,746,185</u>	<u>1,914,548</u>
NET ASSETS, ENDING	<u><u>\$ 172,508</u></u>	<u><u>\$ 1,619,543</u></u>	<u><u>\$ 1,792,051</u></u>

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>Program Services</u>	<u>Capital Campaign</u>	<u>Administrative</u>	<u>Fundraising & Development</u>	<u>Total 2016</u>	<u>Total 2015</u>
Salaries	\$ 449,194	\$ -	\$ 129,577	\$ 46,580	\$ 625,351	\$ 581,272
Payroll taxes	52,169	-	12,860	5,243	70,272	93,973
Employee benefits	55,540	-	15,382	7,313	78,235	78,277
 Total Personnel Costs	 556,903	 -	 157,819	 59,136	 773,858	 753,522
 Contract services	 103,905	 -	 3,714	 47,644	 155,263	 144,883
Insurance	7,388	449	3,386	1,189	12,412	12,149
Professional services	-	16,009	13,867	-	29,876	149,507
Program activities and supplies	219,788	-	851	5,089	225,728	223,354
Office supplies	3,123	680	1,770	474	6,047	6,154
Telephone	7,497	54	3,835	1,474	12,860	13,160
Postage	1,642	-	307	1,367	3,316	3,991
Occupancy	39,516	2,163	12,424	6,822	60,925	86,193
Repairs and maintenance	571	2,740	225	126	3,662	4,165
Equipment costs	14,867	-	6,207	4,067	25,141	23,479
Advertising	-	-	1,598	4,622	6,220	2,571
Dues and subscriptions	-	-	2,145	1,050	3,195	4,672
Local transportation	6,959	-	1,971	201	9,131	12,990
Conventions and meetings	364	-	5,305	-	5,669	4,063
Special events	742	-	1,093	14,718	16,553	23,735
Special assistance	61,043	-	-	-	61,043	39,873
Depreciation	2,310	-	1,378	-	3,688	4,929
Bad debt	-	30,500	-	-	30,500	104,000
Interest	-	2,719	328	-	3,047	32,165
 Total Expenses	 <u>\$1,026,618</u>	 <u>\$ 55,314</u>	 <u>\$ 218,223</u>	 <u>\$ 147,979</u>	 <u>\$1,448,134</u>	 <u>\$ 1,649,555</u>

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Capital Campaign</u>	<u>Administrative</u>	<u>Fundraising & Development</u>	<u>Total</u>
Salaries	\$ 419,869	\$ -	\$ 114,113	\$ 47,290	\$ 581,272
Payroll taxes	67,527	-	21,528	4,918	93,973
Employee benefits	56,245	-	21,865	167	78,277
 Total Personnel Costs	 543,641	 -	 157,506	 52,375	 753,522
 Contract services	 105,461	 -	 4,420	 35,002	 144,883
Insurance	3,311	5,383	3,158	297	12,149
Professional services	-	138,214	11,293	-	149,507
Program activities and supplies	222,811	-	-	543	223,354
Office supplies	2,567	53	2,797	737	6,154
Telephone	7,588	551	4,368	653	13,160
Postage	405	-	650	2,936	3,991
Occupancy	73,025	13,168	-	-	86,193
Repairs and maintenance	930	3,235	-	-	4,165
Equipment costs	12,176	45	10,228	1,030	23,479
Advertising	581	-	-	1,990	2,571
Dues and subscriptions	1,150	-	3,522	-	4,672
Local transportation	12,888	-	95	7	12,990
Conventions and meetings	197	-	3,401	465	4,063
Special events	1,642	-	-	22,093	23,735
Special assistance	39,717	-	-	156	39,873
Depreciation	3,902	-	1,027	-	4,929
Bad debt	-	104,000	-	-	104,000
Interest	-	29,791	2,374	-	32,165
 Total Expenses	 <u>\$1,031,992</u>	 <u>\$ 294,440</u>	 <u>\$ 204,839</u>	 <u>\$ 118,284</u>	 <u>\$1,649,555</u>

MERRICK COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 145,957	\$ (122,497)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,688	4,929
Realized and unrealized loss on investments	1,018	503
Interest and dividends reinvested	(488)	(517)
Donated securities	(1,661)	(3,284)
Gain on sale of fixed assets	(137,419)	-
Bad debt	30,500	104,000
Change in:		
Accounts receivable	57,077	27,036
Pledges receivable	(27,094)	130,303
Prepaid expenses	(932)	15,114
Accounts payable	(30,049)	(29,917)
Accrued expenses	<u>12,064</u>	<u>(28,753)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>52,661</u>	 <u>96,917</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	673,500	-
Proceeds from sale of investments	1,786	3,343
Payments received on contract for deed	<u>43,960</u>	<u>13,474</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>719,246</u>	 <u>16,817</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on long-term debt	-	14,757
Payments on long-term debt	-	(4,061)
Change in line of credit	<u>-</u>	<u>(10,000)</u>
 NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	 <u>-</u>	 <u>696</u>

	<u>2016</u>	<u>2015</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	771,907	114,430
CASH AND CASH EQUIVALENTS, BEGINNING	<u>506,367</u>	<u>391,937</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$1,278,274</u></u>	<u><u>\$ 506,367</u></u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 3,047	\$ 32,165
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Sale of property and equipment		
Gross proceeds from sale of property and equipment	\$1,398,500	\$ -
Payments on long-term debt	<u>(725,000)</u>	<u>-</u>
Cash proceeds from sale of property and equipment	<u><u>\$ 673,500</u></u>	<u><u>\$ -</u></u>

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.

Building Operations - MCS operates the Merrick Community Center (MCC) located at 965 Payne Avenue. The center provides community meeting space, usually at no cost during normal operating hours. Facility rental is also available at other times.

Employment Services -The Organization's East Side Job Bank, located at MCC, 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.

Emergency Services - The Organization's Emergency Services 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)

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

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.

Allowance for Doubtful Accounts

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts, pledges, and grants receivable. At June 30, 2016 and 2015, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Donated Services

Donated services are an integral part of the Organization. Volunteer services, for the years ended June 30, 2016 and 2015, amounted to approximately 16,000 and 14,000 hours respectively, for each year. Since the nature of the services do not satisfy the recognition requirements of generally accepted accounting principles, the accompanying financial statements do not reflect these volunteer services.

Functional Allocation of Expenses

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

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.

Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Government Grants and Contracts

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

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

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

All expenditures for property and equipment in excess of \$1,500 are recorded at cost. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. It is the Organization's policy to provide depreciation based on the estimated useful lives of the assets using the straight-line method. The useful life of the equipment is 5 to 10 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.

Advertising

Advertising costs are charged to expense as incurred. During the years ended June 30, 2016 and 2015, advertising costs were \$6,220 and \$2,571, respectively.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 20, 2016, the date the financial statements were available to be issued.

NOTE 2. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with local financial institutions. At June 30, 2016 and 2015, accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016 and 2015, uninsured cash balances were approximately \$850,000 and \$202,000 respectively.

NOTE 3. FAIR VALUE MEASUREMENTS AND INVESTMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for which Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no plan assets requiring the use of Level 3 inputs for the periods presented.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENT AND INVESTMENTS (continued)

Mutual funds: Valued at the closing net asset value (NAV) of shares held at the fiscal year end. If the mutual fund makes its net asset values publicly available daily to set the price for purchases and redemptions the following day, the mutual fund is categorized as within Level 1.

Investments held at June 30, 2016 and 2015 consisted of Mutual Funds of \$12,144 and \$12,799, respectively.

For the years ended June 30, 2016 and 2015, investment income consisted of the following:

	<u>#NAME?</u>	<u>#NAME?</u>
Dividends and interest	\$ 10,628	\$ 11,044
Realized gain on investments	-	1,709
Unrealized loss on investments	<u>(1,018)</u>	<u>(2,212)</u>
	<u>\$ 9,610</u>	<u>\$ 10,541</u>

NOTE 4. CONTRACT FOR DEED RECEIVABLE

The Organization sold its property at 715 Edgerton Street, St. Paul, for a total of \$449,000. The Organization received cash of \$89,800 and agreed to receive the remaining \$359,200 on a contract for deed receivable from the buyer. The terms of the contract consist of monthly installments of \$2,000 including interest at 3% and a partial balloon payment of \$30,000 which was due in March 2016. This note matures in April 2018. As of June 30, 2016 and 2015, the outstanding balance on this note was \$299,559 and \$343,519, respectively.

The contract for deed contained a clause requiring the buyer to complete \$70,000 of capital improvements on or before February 2015. During the year ended June 30, 2016, the buyer completed \$30,000 of capital improvements and paid a total of \$40,000 to the Organization as per the above clause. This amount is included in other income.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CONTRACT FOR DEED RECEIVABLE (continued)

The future principal receivable on the contract for deed receivable is as follows:

Year Ending June 30,	Amount
2017	\$ 15,221
2018	284,338
	<u>\$ 299,559</u>

NOTE 5. PLEDGES RECEIVABLE

Outstanding pledge contributions from various foundations and individuals at June 30, 2016 and 2015 were as follows:

	2016	2015
Pledges due in:		
Less than one year	\$ 188,000	\$ 191,406
One to five years	150,000	150,000
	<u>\$ 338,000</u>	<u>\$ 341,406</u>
Total pledges receivable	<u>\$ 338,000</u>	<u>\$ 341,406</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Equipment	\$ 61,920	\$ 61,920
Vehicles	6,889	6,889
	<u>68,809</u>	<u>68,809</u>
Less: Accumulated Depreciation	<u>(63,751)</u>	<u>(60,063)</u>
Net Property and Equipment	<u>\$ 5,058</u>	<u>\$ 8,746</u>

Depreciation expense of \$3,688 and \$4,929 was provided for the years ended June 30, 2016 and 2015, respectively.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LINE OF CREDIT

The Organization has a \$70,000 revolving line of credit agreement with Lake Elmo Bank expiring March 2018. Interest is payable monthly at the prime rate as published in the Wall Street Journal, with a floor of 4.5% (effective rate of 4.5% as of June 30, 2016 and 2015) and is secured by the general business assets. As of June 30, 2016 and 2015, there was nothing outstanding on this line of credit.

NOTE 8. LONG-TERM DEBT

The Organization had a \$725,000 variable rate non-disclosable loan with Bremer Bank, related to the purchase of the building. Interest was due monthly at 3.75% (3.25% stated Bremer Bank rate, plus .50%), until August 29, 2015 when a \$50,000 principal payment was due. Monthly payments of \$4,842, including interest at 3.75% (3.25% stated Bremer Bank rate, plus .50%), were scheduled to begin September 28, 2015. The outstanding balance at June 30, 2015 was \$725,000. The Organization sold the building on July 30, 2015 and the loan was paid off.

NOTE 9. RETIREMENT PLAN

The Organization has a 403(b) salary reduction plan covering substantially all eligible employees. The plan provides for employer matching contributions of 2% to up to 8% of annual compensation, depending on years of service. Total contributions to the plan for the years ended June 30, 2016 and 2015 amounted to approximately \$5,200 and \$3,400, respectively.

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

As required by GAAP for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among Merrick Community Services and the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, Merrick Community Services and the other remaining agencies assume the liability and contributions of the agency in default. Plan assets are based on a long term investment strategy and held approximately 30% in fixed income securities and 70% in equity accounts. Merrick Community Services made contributions of approximately \$36,000 in the years ended June 30, 2016 and 2015, which is recognized as pension cost.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLAN (continued)

Effective July 1, 2012, Merrick Community Services adopted Accounting Standards Update 20141-09 (ASU No. 2011-09), *Disclosures about an Employer's Participation in a Multiemployer plan*, which requires additional disclosures about employers' participation in multiemployer pension plans including information about the plan's funded status if it is readily available.

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

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

Plan year end	12/31/2015	12/31/2014
Pension Protection Act percentage funded	110%	113%
Contribution by Merrick Community Services	\$ 36,472	\$ 36,405
Contributions as percentage of total contributed	2%	2%
Rehabilitation Plan Status	n/a	n/a

NOTE 10. RESTRICTIONS ON NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consisted of the following at June 30, 2016 and 2015:

	2016	2015
Child and Youth Intervention	\$ 125,007	\$ 101,497
Emergency Services	122,331	65,456
Family Intervention	52,544	49,950
Senior Services	16,000	4,447
Job Bank	69,862	47,394
Other	10,000	1,000
Capital Campaign	1,433,306	1,349,799
Total Temporarily Restricted Net Assets	<u>\$ 1,829,050</u>	<u>\$ 1,619,543</u>

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 10. RESTRICTIONS ON NET ASSETS (continued)

Net Assets Released from Restrictions

The net assets released from restrictions for the years ended June 30, 2016 and 2015 consisted of the following:

	2016	2015
Child and Youth Intervention	\$ 101,497	\$ 94,565
Emergency Services	65,456	65,456
Family Intervention	49,950	49,950
Senior Services	-	7,553
Job Bank	27,532	47,394
Other	7,000	5,000
Capital Campaign	55,314	378,440
Net Assets Released from Restrictions	<u>\$ 306,749</u>	<u>\$ 648,358</u>

NOTE 11. MAJOR SOURCES OF SUPPORT AND REVENUE

During the years ended June 30, 2016 and 2015, the major sources of support and revenue (as a percentage of total support and revenue) were as follows:

	2016	2015
United Way	18%	18%
MN State	10%	9%

NOTE 12. LEASE COMMITMENTS

During the year ended June 30, 2015, the Organization leased two locations for its Emergency Service Centers under month-to-month agreements for an approximate total of \$1,100 per month. Rent expense charged to operations for the above leases amounted to \$10,676 for the year ended June 30, 2015.

During the year ended June 30, 2016, the Organization leased one location for its Emergency Service Centers under a month-to-month agreement for an approximate total of \$165 per month. Rent expense charged to operations for the above lease amounted to \$8,628 for the year ended June 30, 2016 which also includes the HVAC payments for this property.

The Organization leases office space at 965 Payne Avenue, St. Paul with Old Swedish Bank, LLC, for \$900 per month plus operating expenses. This lease expires in September 2016. Rent expense charged to operations for the above lease was approximately \$46,000 and \$48,000, respectively for the years ended June 30, 2016 and 2015.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 12. LEASE COMMITMENTS (continued)

As of June 30, 2016, future minimum lease payments, including estimated operating expenses, under the above operating lease were as follows:

Year Ending June 30,	Amount
2017	<u>\$ 11,590</u>

In addition, the Organization also incurred rent expense of approximately \$1,900 at a public storage facility.

NOTE 13. CAPITAL CAMPAIGN

The Organization is conducting a capital campaign for the relocation and expansion of its office and program facilities. During the years ended June 30, 2016 and 2015, the Organization had recognized revenues of \$55,314 and \$378,440, respectively for expenses incurred in association with the capital campaign.

NOTE 14. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Designations of net assets are used to show amounts within unrestricted net assets that are intended to be used for board-specified purposes, but are not legally or donor restricted. At June 30, 2016 and 2015, designated net assets consisted of the following:

	2016	2015
Operating	\$ 22,717	\$ 23,372
Capital campaign	<u>50,000</u>	<u>50,000</u>
	<u>\$ 72,717</u>	<u>\$ 73,372</u>