

MERRICK COMMUNITY SERVICES
AUDITED FINANCIAL STATEMENTS
June 30, 2018 and 2017

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, CPA



Gregory W. Heck, CPA, CVA
Greg L. Emmerich, CPA
Michael Belknap, CPA
Bryan W. Swartz, CPA

563 PHALEN BOULEVARD • ST. PAUL, MN 55130
phone 651.481.1128 • fax 651.481.0982

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, 2018 and 2017, 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, 2018 and 2017, 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.

Harrington Langer & Associates

September 24, 2018

MERRICK COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 116,351	\$ 641,496
Accounts receivable, net of allowances of \$3,579 and \$9,100, respectively	118,552	84,107
Contract for deed receivable	-	214,694
Pledges receivable	429,600	197,000
Investments	-	13,410
Prepaid expenses	<u>4,677</u>	<u>28,851</u>
Total Current Assets	<u>669,180</u>	<u>1,179,558</u>
 PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$149,838 and \$66,416, respectively	 <u>1,495,853</u>	 <u>22,908</u>
 OTHER ASSETS		
Construction in progress	<u>-</u>	<u>529,130</u>
 TOTAL ASSETS	 <u><u>\$ 2,165,033</u></u>	 <u><u>\$ 1,731,596</u></u>

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 57,370	\$ -
Accounts payable	58,643	97,230
Accrued expenses	<u>37,835</u>	<u>33,275</u>
Total Current Liabilities	<u>153,848</u>	<u>130,505</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	242,630	-
Deferred rent	<u>43,247</u>	<u>34,208</u>
Total Long-Term Liabilities	<u>285,877</u>	<u>34,208</u>
Total Liabilities	<u>439,725</u>	<u>164,713</u>
NET ASSETS		
Unrestricted	1,005,461	348,909
Temporarily restricted	<u>719,847</u>	<u>1,217,974</u>
Total Net Assets	<u>1,725,308</u>	<u>1,566,883</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,165,033</u></u>	<u><u>\$ 1,731,596</u></u>

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
SUPPORT AND REVENUE				
Support				
Contributions	\$ 769,426	\$ 500,588	\$ 1,270,014	\$ 799,064
United Way	35,000	197,100	232,100	162,000
Refunded grant	-	-	-	(100,000)
Loss on pledge receivable	-	-	-	(20,000)
Net assets released from restrictions	1,189,815	(1,189,815)	-	-
Total Support	1,994,241	(492,127)	1,502,114	841,064
Revenue				
Government grants and contracts	345,686	6,000	351,686	244,714
Program service fees	63,705	-	63,705	54,463
Special events	80,837	-	80,837	73,036
Investment income	6,834	-	6,834	10,422
Other gain (loss)	261	-	261	(370)
Net assets released from restrictions	12,000	(12,000)	-	-
Total Revenue	509,323	(6,000)	503,323	382,265
Total Support and Revenue	2,503,564	(498,127)	2,005,437	1,223,329
EXPENSES				
Program services	1,194,579	-	1,194,579	1,094,629
Capital campaign	242,466	-	242,466	75,119
Administrative	263,550	-	263,550	225,554
Fundraising and development	146,417	-	146,417	159,152
Total Expenses	1,847,012	-	1,847,012	1,554,454
CHANGE IN NET ASSETS	656,552	(498,127)	158,425	(331,125)
NET ASSETS, BEGINNING	348,909	1,217,974	1,566,883	1,898,008
NET ASSETS, ENDING	<u>\$ 1,005,461</u>	<u>\$ 719,847</u>	<u>\$ 1,725,308</u>	<u>\$ 1,566,883</u>

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 504,200	\$ 294,864	\$ 799,064
United Way	-	162,000	162,000
Refunded grant	-	(100,000)	(100,000)
Loss on pledges receivable	-	(20,000)	(20,000)
Net assets released from restrictions	<u>943,940</u>	<u>(943,940)</u>	<u>-</u>
Total Support	<u>1,448,140</u>	<u>(607,076)</u>	<u>841,064</u>
Revenue			
Government grants and contracts	232,714	12,000	244,714
Program service fees	54,463	-	54,463
Special events	73,036	-	73,036
Investment income	10,422	-	10,422
Other loss	(370)	-	(370)
Net assets released from restrictions	<u>16,000</u>	<u>(16,000)</u>	<u>-</u>
Total Revenue	<u>386,265</u>	<u>(4,000)</u>	<u>382,265</u>
Total Support and Revenue	<u>1,834,405</u>	<u>(611,076)</u>	<u>1,223,329</u>
EXPENSES			
Program services	1,094,629	-	1,094,629
Capital campaign	75,119	-	75,119
Administrative	225,554	-	225,554
Fundraising and development	<u>159,152</u>	<u>-</u>	<u>159,152</u>
Total Expenses	<u>1,554,454</u>	<u>-</u>	<u>1,554,454</u>
CHANGE IN NET ASSETS	279,951	(611,076)	(331,125)
NET ASSETS, BEGINNING	<u>68,958</u>	<u>1,829,050</u>	<u>1,898,008</u>
NET ASSETS, ENDING	<u><u>\$ 348,909</u></u>	<u><u>\$1,217,974</u></u>	<u><u>\$ 1,566,883</u></u>

See accompanying notes

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services	Capital Campaign	Administrative	Fundraising & Development	Total 2018	Total 2017
Salaries	\$ 540,089	\$ -	\$ 142,871	\$ 57,592	\$ 740,552	\$ 693,638
Payroll taxes	57,313	-	14,206	6,314	77,833	64,212
Employee benefits	49,990	-	14,649	10,275	74,914	69,900
 Total Personnel Costs	 647,392	 -	 171,726	 74,181	 893,299	 827,750
 Contract services	 111,733	 -	 26,262	 22,349	 160,344	 139,481
Insurance	7,956	-	4,645	1,141	13,742	15,478
Professional services	-	35,000	23,128	-	58,128	51,875
Program activities and supplies	204,925	-	82	657	205,664	250,216
Office supplies	2,196	-	2,000	35	4,231	5,624
Telephone	8,860	-	1,145	919	10,924	10,564
Postage	312	-	752	1,066	2,130	3,018
Occupancy	89,445	-	19,881	5,116	114,442	88,961
Repairs and maintenance	15,093	-	1,503	189	16,785	18,806
Equipment costs	13,586	111,465	2,433	2,346	129,830	3,577
Advertising	1,766	11,210	100	8,090	21,166	9,078
Dues and subscriptions	672	-	2,229	5,425	8,326	3,916
Local transportation	4,340	8,244	122	41	12,747	9,275
Conventions and meetings	885	-	1,899	1,378	4,162	4,147
Special events	2,396	-	-	22,925	25,321	23,168
Special assistance	72,266	-	-	-	72,266	86,311
Depreciation	10,756	66,954	5,153	559	83,422	2,664
Interest	-	9,593	490	-	10,083	545
 Total Expenses	 <u>\$1,194,579</u>	 <u>\$ 242,466</u>	 <u>\$ 263,550</u>	 <u>\$ 146,417</u>	 <u>\$1,847,012</u>	 <u>\$ 1,554,454</u>

MERRICK COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services	Capital Campaign	Administrative	Fundraising & Development	Total
Salaries	\$ 466,174	\$ -	\$ 145,069	\$ 82,395	\$ 693,638
Payroll taxes	44,918	-	12,459	6,835	64,212
Employee benefits	45,506	-	15,946	8,448	69,900
Total Personnel Costs	556,598	-	173,474	97,678	827,750
Contract services	121,362	-	2,127	15,992	139,481
Insurance	7,487	1,375	5,300	1,316	15,478
Professional services	-	39,000	12,875	-	51,875
Program activities and supplies	247,892	502	261	1,561	250,216
Office supplies	2,663	34	2,081	846	5,624
Telephone	6,816	-	2,327	1,421	10,564
Postage	388	-	394	2,236	3,018
Occupancy	40,034	34,208	10,236	4,483	88,961
Repairs and maintenance	14,281	-	3,264	1,261	18,806
Equipment costs	691	-	1,181	1,705	3,577
Advertising	-	-	-	9,078	9,078
Dues and subscriptions	378	-	2,307	1,231	3,916
Local transportation	5,121	-	3,306	848	9,275
Conventions and meetings	465	-	3,662	20	4,147
Special events	2,856	-	836	19,476	23,168
Special assistance	86,311	-	-	-	86,311
Depreciation	1,286	-	1,378	-	2,664
Interest	-	-	545	-	545
Total Expenses	<u>\$1,094,629</u>	<u>\$ 75,119</u>	<u>\$ 225,554</u>	<u>\$ 159,152</u>	<u>\$1,554,454</u>

MERRICK COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 158,425	\$ (331,125)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	83,422	2,664
Allowance for doubtful accounts	(3,579)	(9,100)
Realized and unrealized loss on investments	(614)	(910)
Interest and dividends reinvested	(299)	(495)
Change in:		
Accounts receivable	(30,866)	(17,525)
Pledges receivable	(232,600)	141,000
Prepaid expenses	24,174	(24,806)
Accounts payable	(38,587)	75,039
Accrued expenses	4,560	(1,088)
Deferred rent	<u>9,039</u>	<u>34,208</u>
 NET CASH USED IN OPERATING ACTIVITIES	 <u>(26,925)</u>	 <u>(132,138)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,027,238)	(20,515)
Purchase of construction in progress	-	(529,130)
Proceeds from sale of investments	14,323	140
Payments received on contract for deed	<u>214,694</u>	<u>44,865</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(798,221)</u>	 <u>(504,640)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on long-term debt	<u>300,000</u>	<u>-</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (525,146)	 (636,778)
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>641,496</u>	 <u>1,278,274</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u><u>\$ 116,350</u></u>	 <u><u>\$ 641,496</u></u>
 SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 10,083	\$ 545

	<u>2018</u>	<u>2017</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(525,146)	(636,778)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>641,496</u>	<u>1,278,274</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 116,350</u></u>	<u><u>\$ 641,496</u></u>
SUPPLEMENTAL CASH FLOWS DISCLOSURES		
Interest paid	\$ 10,083	\$ 545

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Merrick Community Services (MCS or the Organization) is a non-profit organization whose purpose is to improve the lives of the residents of the Eastside of St. Paul, Minnesota, by empowering individuals, strengthening families, and promoting their independence through MCS programs as follows:

Family Counseling and Case Management - Working in collaboration with Ramsey County and other agencies, MCS provides case management for several programs, including the Family Support Project (FSP), Alternative Response, In-Home Parenting Services, and Child Welfare Targeted Case Management Services. Case management provides families with a trained person who looks at an entire family and helps determine the resources needed to support and stabilize it.

Youth Programs - MCS 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.

Senior Services – The Organization's senior services program is dedicated to providing services that enable area seniors to remain independent and to continue living in their own homes for as long as possible. Some of the services include Meal on Wheels, senior mobile distribution, and social groups.

Food Shelf - The Organization's Food Shelf program is dedicated to connecting families and individuals with community resources to help eliminate long-term causes of hunger. The Organization operates two emergency food shelves, has emergency funds available for specific purposes, and collaborates with organizations fighting to eliminate hunger in our community. Each December, two thousand families receive toys and food to help provide a happy holiday celebration. With the help of the Minnesota Shopping Center Association, the Caring Tree Program provides Eastside students with supplies for the school year.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employment Services – The Organization’s East Side Job Bank, located at MCS, provides job skill assessment and job placement for job seekers. The Job Bank also provides skilled workers for businesses looking for employees. Job counselors are able to communicate in English, Hmong and Spanish, and can help solve transportation and child-care barriers to employment. The Organization also hires students from Harding and Johnson high schools to work full-time at 3M during the summer.

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, 2018 and 2017 the Organization had an allowance for doubtful accounts of \$3,579 and \$9,100, respectively.

Donated Services

Donated services are an integral part of the Organization. Volunteer services, for the years ended June 30, 2018 and 2017, amounted to approximately 16,000 hours for both years. 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.

Advertising

Advertising costs are charged to expense as incurred. During the years ended June 30, 2018 and 2017, advertising costs were \$21,166 and \$9,078, respectively.

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 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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 24, 2018, 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, 2018 and 2017, accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018 and 2017, uninsured cash balances were approximately \$0 and \$354,000 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 when 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, 2018 and 2017 consisted of mutual funds of \$0 and \$13,410, respectively.

For the years ended June 30, 2018 and 2017, investment income consisted of the following:

	2018	2017
Dividends and interest	\$ 6,220	\$ 9,512
Unrealized gain on investments	614	910
	<u>\$ 6,834</u>	<u>\$ 10,422</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 paid in March 2016. This note matured in April 2018. As of June 30, 2018 and 2017, the outstanding balance on this note was \$0 and \$214,694, respectively.

NOTE 5. PLEDGES RECEIVABLE

Outstanding pledge contributions from various foundations and the United Way at June 30, 2018 and 2017 were \$429,600 and \$197,000, respectively.

At June 30, 2018, the Organization had conditional promises to give of \$75,000.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building improvements	\$ 1,556,367	\$ -
Equipment	82,435	82,435
Vehicles	<u>6,889</u>	<u>6,889</u>
Total Cost	1,645,691	89,324
Less: Accumulated Depreciation	<u>(149,838)</u>	<u>(66,416)</u>
Net Property and Equipment	<u><u>\$ 1,495,853</u></u>	<u><u>\$ 22,908</u></u>

Depreciation expense of \$83,423 and \$2,664 was provided for the years ended June 30, 2018 and 2017, respectively.

NOTE 7. LINE OF CREDIT

At June 30, 2018, the Organization had a \$100,000 revolving line of credit agreement with Lake Elmo Bank expiring October 2019. At June 30, 2017, the Organization had a \$70,000 line of credit agreement with Lake Elmo Bank which expired 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 5.0% and 4.5% as of June 30, 2018 and 2017, respectively) and is secured by the general business assets. As of June 30, 2018 and 2017, there was nothing outstanding on this line of credit.

NOTE 8. 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, 2018 and 2017 amounted to approximately \$6,100 and \$5,200, 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.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 8. RETIREMENT PLAN (continued)

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, 2018 and 2017, which is recognized as pension cost.

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	12/31/2017	12/31/2016
Pension Protection Act percentage funded	110%	110%
Contribution by Merrick Community Services	\$ 36,472	\$ 36,472
Contributions as percentage of total contributed	2%	2%
Rehabilitation Plan Status	n/a	n/a

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 9. RESTRICTIONS ON NET ASSETS

Temporarily Restricted

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Child and Youth Intervention	\$ 214,263	\$ 135,724
Emergency Services	147,100	112,000
Family Intervention	28,048	18,290
Senior Services	24,666	17,906
Job Bank	288,862	80,814
Other	16,908	10,000
Capital Campaign	-	843,240
Total Temporarily Restricted Net Assets	<u>\$ 719,847</u>	<u>\$ 1,217,974</u>

Net Assets Released from Restrictions

The net assets released from restrictions for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
Child and Youth Intervention	\$ 129,473	\$ 105,633
Emergency Services	112,000	118,000
Family Intervention	18,290	56,875
Senior Services	16,740	16,000
Job Bank	72,480	61,529
Other	10,000	10,000
Capital Campaign	842,832	591,903
Net Assets Released from Restrictions	<u>\$ 1,201,815</u>	<u>\$ 959,940</u>

NOTE 10. MAJOR SOURCES OF SUPPORT AND REVENUE

During the years ended June 30, 2018 and 2017, the major sources of support and revenue (as a percentage of total support and revenue) were as follows:

	2018	2017
United Way	12%	15%
MN State	*	10%
Ramsey County	12%	11%
Bush Foundation	10%	*

* - Donor was not above 10% for the fiscal year

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 11. LEASE COMMITMENTS

During the years ended June 30, 2018 and 2017, the Organization leased a location for its Emergency Service Center under a month-to-month agreement for approximately \$180 per month. Rent expense charged to operations amounted to \$2,160 and \$2,712 for the years ended June 30, 2018 and 2017, respectively, which also includes the HVAC payments for this property.

Starting in February 2017, the Organization leased office space with Gustavus Adolphus Church under a noncancelable lease ending May 2022. Rental rates per lease year range from \$7.00 to \$7.73 per square foot. The lease agreement allowed for rent abatement from February 2017 to September 2017. Rent expense is recognized straight-line over the term of the lease and a related deferred rent liability of \$43,247 and \$34,208 was recorded at June 30, 2018 and 2017, respectively.

The Organization leased office space at 965 Payne Avenue, St. Paul with Old Swedish Bank, LLC, for \$900 per month plus operating expenses. This lease expired in September 2017. Rent expense charged to operations for the above lease was approximately \$4,000 and \$48,000, respectively, for the years ended June 30, 2018 and 2017.

As of June 30, 2018, future minimum lease payments, including estimated operating expenses, under the above operating lease were as follows:

Year Ending June 30,	Amount
2019	\$ 91,294
2020	93,269
2021	93,600
2022	87,936
	<u>\$ 366,099</u>

In addition, the Organization also incurred rent expense of approximately \$2,400 and \$1,900 at a public storage facility for the years ended June 30, 2018 and 2017, respectively.

NOTE 12. CAPITAL CAMPAIGN

The Organization conducted a capital campaign for the relocation and expansion of its office and program facilities. During the years ended June 30, 2018 and 2017, the Organization recognized revenue of \$1,142,294 and \$591,903, respectively for amounts incurred in association with the capital campaign.

MERRICK COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 13. 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, 2018 and 2017, designated net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Operating	\$ -	\$ 23,983
Capital campaign	-	50,000
	<u>\$ -</u>	<u>\$ 73,983</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2017, the Organization signed a \$1.1 million-dollar purchase commitment with a general contractor for the construction of leasehold improvement in a new office space. The construction was completed in the year ended June 30, 2018.

NOTE 15. LONG-TERM DEBT

At June 30, 2018 and 2017, long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Note payable due in monthly installments of \$3,826, including interest at 5.0%, secured by the Organization's assets, maturing August 2025	\$ 300,000	\$ -
Less: current maturities	<u>(57,370)</u>	<u>-</u>
	<u>\$ 242,630</u>	<u>\$ -</u>

At June 30, 2018, future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 57,370
2020	34,366
2021	36,180
2022	38,057
2023	40,032
Thereafter	<u>93,995</u>
	<u>\$ 300,000</u>

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, CPA



Gregory W. Heck, CPA, CVA
Greg L. Emmerich, CPA
Michael Belknap, CPA
Bryan W. Swartz, CPA

563 PHALEN BOULEVARD • ST. PAUL, MN 55130
phone 651.481.1128 • fax 651.481.0982

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Merrick Community Services as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated September 24, 2018, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The supplemental schedules of unrestricted activities on pages 21- 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Langer & Associates

September 24, 2018

MERRICK COMMUNITY SERVICES
SCHEDULE OF UNRESTRICTED ACTIVITIES
For the Year Ended June 30, 2018

	Program Services									
	Families	Youth	Senior Services	Food Shelf	Employment Services	Total Program Services	Capital Campaign	Administrative	Fundraising & Development	Total
SUPPORT AND REVENUE										
Support	\$ 25,409	\$ 137,294	\$ 48,598	\$ 313,526	\$ 133,822	\$ 658,649	\$ 1,122,249	\$ 185,973	\$ 27,370	\$1,994,241
Revenue	229,228	5,610	153,473	3,526	34,380	426,217	-	6,861	76,245	509,323
Total Support and Revenue	254,637	142,904	202,071	317,052	168,202	1,084,866	1,122,249	192,834	103,615	2,503,564
EXPENSES										
Salaries	151,763	115,344	89,404	144,123	39,455	540,089	-	142,871	57,592	740,552
Payroll taxes	14,822	15,031	8,529	14,246	4,685	57,313	-	14,206	6,314	77,833
Employee benefits	15,135	4,949	6,077	15,827	8,002	49,990	-	14,649	10,275	74,914
Total Personnel Costs	181,720	135,324	104,010	174,196	52,142	647,392	-	171,726	74,181	893,299
Contract services	2,916	1,407	14,321	12,143	80,946	111,733	-	26,262	22,349	160,344
Insurance	2,046	626	1,559	2,561	1,164	7,956	-	4,645	1,141	13,742
Professional services	-	-	-	-	-	-	35,000	23,128	-	58,128
Program activities and supplies	2,690	4,269	86,887	99,124	11,955	204,925	-	82	657	205,664
Office supplies	475	53	265	1,195	208	2,196	-	2,000	35	4,231
Telephone	2,790	826	1,289	3,067	888	8,860	-	1,145	919	10,924
Postage	200	1	2	106	3	312	-	752	1,066	2,130
Occupancy	12,888	2,470	8,372	56,325	9,390	89,445	-	19,881	5,116	114,442
Repairs and maintenance	2,296	91	2,408	9,951	347	15,093	-	1,503	189	16,785
Equipment costs	1,749	335	2,761	7,467	1,274	13,586	111,465	2,433	2,346	129,830
Advertising	-	-	-	800	966	1,766	11,210	100	8,090	21,166
Dues and subscriptions	250	-	161	261	-	672	-	2,229	5,425	8,326
Local transportation	3,043	-	237	993	67	4,340	8,244	122	41	12,747
Conventions and meetings	65	65	153	602	-	885	-	1,899	1,378	4,162
Special events	-	2,396	-	-	-	2,396	-	-	22,925	25,321
Special assistance	72,266	-	-	-	-	72,266	-	-	-	72,266
Depreciation	1,409	270	915	7,135	1,027	10,756	66,954	5,153	559	83,422
Interest	-	-	-	-	-	-	9,593	490	-	10,083
Total Expenses	286,803	148,133	223,340	375,926	160,377	1,194,579	242,466	263,550	146,417	1,847,012
CHANGE IN UNRESTRICTED										
NET ASSETS	<u>\$ (32,166)</u>	<u>\$ (5,229)</u>	<u>\$ (21,269)</u>	<u>\$ (58,874)</u>	<u>\$ 7,825</u>	<u>\$ (109,713)</u>	<u>\$ 879,783</u>	<u>\$ (70,716)</u>	<u>\$ (42,802)</u>	<u>\$ 656,552</u>

See independent auditor's report
on supplementary information

MERRICK COMMUNITY SERVICES
SCHEDULE OF UNRESTRICTED ACTIVITIES
For the Year Ended June 30, 2017

	Program Services								
	Families & Youth	Senior Services	Food Shelf	Employment Services	Total Program Services	Capital Campaign	Administrative	Fundraising & Development	Total
SUPPORT AND REVENUE									
Support	\$ 181,655	\$ 65,104	\$ 371,038	\$ 161,754	\$ 779,551	\$ 591,903	\$ 57,686	\$ 19,000	\$1,448,140
Revenue	116,017	136,488	1,000	49,671	303,176	-	10,053	73,036	386,265
Total Support and Revenue	297,672	201,592	372,038	211,425	1,082,727	591,903	67,739	92,036	1,834,405
EXPENSES									
Salaries	208,007	60,113	133,544	64,510	466,174	-	145,069	82,395	693,638
Payroll taxes	22,789	5,363	10,992	5,774	44,918	-	12,459	6,835	64,212
Employee benefits	17,246	5,068	12,478	10,714	45,506	-	15,946	8,448	69,900
Total Personnel Costs	248,042	70,544	157,014	80,998	556,598	-	173,474	97,678	827,750
Contract services	499	20,688	20,315	79,860	121,362	-	2,127	15,992	139,481
Insurance	2,800	1,151	2,138	1,398	7,487	1,375	5,300	1,316	15,478
Professional services	-	-	-	-	-	39,000	12,875	-	51,875
Program activities and supplies	4,759	109,506	127,659	5,968	247,892	502	261	1,561	250,216
Office supplies	1,033	205	675	750	2,663	34	2,081	846	5,624
Telephone	3,922	595	987	1,312	6,816	-	2,327	1,421	10,564
Postage	241	98	49	-	388	-	394	2,236	3,018
Occupancy	18,382	3,758	7,462	10,432	40,034	34,208	10,236	4,483	88,961
Repairs and maintenance	5,170	2,093	4,073	2,945	14,281	-	3,264	1,261	18,806
Equipment costs	8	676	2	5	691	-	1,181	1,705	3,577
Advertising	-	-	-	-	-	-	-	9,078	9,078
Dues and subscriptions	38	107	211	22	378	-	2,307	1,231	3,916
Local transportation	1,153	444	3,140	384	5,121	-	3,306	848	9,275
Conventions and meetings	80	36	98	251	465	-	3,662	20	4,147
Special events	2,856	-	-	-	2,856	-	836	19,476	23,168
Special assistance	86,311	-	-	-	86,311	-	-	-	86,311
Depreciation	-	-	1,286	-	1,286	-	1,378	-	2,664
Interest	-	-	-	-	-	-	545	-	545
Total Expenses	375,294	209,901	325,109	184,325	1,094,629	75,119	225,554	159,152	1,554,454
CHANGE IN UNRESTRICTED									
NET ASSETS	<u>\$ (77,622)</u>	<u>\$ (8,309)</u>	<u>\$ 46,929</u>	<u>\$ 27,100</u>	<u>\$ (11,902)</u>	<u>\$ 516,784</u>	<u>\$ (157,815)</u>	<u>\$ (67,116)</u>	<u>\$ 279,951</u>

See independent auditor's report
on supplementary information