

Community Action Center of Northfield, Inc.

Consolidated Financial Statements and
Supplementary Information

June 30, 2022 and 2021

Community Action Center of Northfield, Inc.

Table of Contents
June 30, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expense	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information	
Consolidating Schedule of Financial Position	22
Consolidating Schedule for Support and Revenue, Expense and Change in Net Assets	23

Independent Auditors' Report

To the Board of Directors of
Community Action Center of Northfield, Inc.

Opinion

We have audited the consolidated financial statements of Community Action Center of Northfield, Inc. (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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.

Other Matter

The financial statements of Community Action Center of Northfield, Inc., as of and for the year ended June 30, 2021, were audited by other auditors whose report thereon, dated May 12, 2022, expressed an unqualified opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information indicated in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Minneapolis, Minnesota
December 28, 2022

Community Action Center of Northfield, Inc.

Consolidated Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,553,325	\$ 2,691,486
Grants and contributions receivable	262,445	149,621
Accounts receivable	11,459	24,399
Prepaid expense	53,880	39,481
Other assets	-	48,134
Inventory	9,690	-
Investments	266,719	305,489
	<u>2,157,518</u>	<u>3,258,610</u>
Total current assets	2,157,518	3,258,610
Property and equipment, net	3,888,162	873,334
Investments, designated for endowments	566,780	649,165
	<u>6,612,460</u>	<u>4,781,109</u>
Total assets	\$ 6,612,460	\$ 4,781,109
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 79,845	\$ 32,310
Accrued personnel costs	67,023	73,236
Funds held for others	18,633	46,064
Notes payable, current portion	26,557	-
	<u>192,058</u>	<u>151,610</u>
Total current liabilities	192,058	151,610
Long-Term Liabilities		
Notes payable	1,448,032	-
	<u>1,640,090</u>	<u>151,610</u>
Total liabilities	1,640,090	151,610
Net Assets		
Without donor restrictions:		
Board designated, endowments	922,950	1,005,336
Board designated, property and equipment	-	873,334
Undesignated	2,615,203	1,707,425
	<u>3,538,153</u>	<u>3,586,095</u>
Total without donor restrictions	3,538,153	3,586,095
With donor restrictions	1,434,217	1,043,404
	<u>4,972,370</u>	<u>4,629,499</u>
Total net assets	4,972,370	4,629,499
Total liabilities and net assets	\$ 6,612,460	\$ 4,781,109

See notes to consolidated financial statements

Community Action Center of Northfield, Inc.

Consolidated Statements of Activities and Changes in Net Assets

Year Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 1,364,181	\$ 500,059	\$ 1,864,240	\$ 1,551,084	\$ 911,061	\$ 2,462,145
Government grants	698,269	-	698,269	867,089	-	867,089
In-kind contributions	1,024,357	-	1,024,357	433,066	-	433,066
Clothes closet sales	151,888	-	151,888	12,702	-	12,702
Rent income	73,514	-	73,514	120,914	-	120,914
Investment (loss) income	(120,198)	-	(120,198)	205,770	-	205,770
Other revenue	66,723	-	66,723	56,552	-	56,552
Net assets released from restrictions:						
Satisfaction of program restrictions	2,246	(2,246)	-	646,578	(646,578)	-
Satisfaction of time restrictions	107,000	(107,000)	-	100,000	(100,000)	-
Total support and revenue	3,367,980	390,813	3,758,793	3,993,755	164,483	4,158,238
Expense						
Program services:						
Basic needs	1,810,460	-	1,810,460	1,247,965	-	1,247,965
Youth programs	152,063	-	152,063	238,230	-	238,230
Housing programs	422,799	-	422,799	423,458	-	423,458
Creating community	123,391	-	123,391	295,067	-	295,067
Total program services	2,508,713	-	2,508,713	2,204,720	-	2,204,720
Support services:						
Management and general	701,860	-	701,860	171,575	-	171,575
Fundraising	43,865	-	43,865	97,919	-	97,919
Total support services	745,725	-	745,725	269,494	-	269,494
Loss on disposal of assets	161,484	-	161,484	-	-	-
Total expenses	3,415,922	-	3,415,922	2,474,214	-	2,474,214
Change in net assets	(47,942)	390,813	342,871	1,519,541	164,483	1,684,024
Net Assets, Beginning	3,586,095	1,043,404	4,629,499	2,066,554	878,921	2,945,475
Net Assets, Ending	\$ 3,538,153	\$ 1,434,217	\$ 4,972,370	\$ 3,586,095	\$ 1,043,404	\$ 4,629,499

See notes to consolidated financial statements

Community Action Center of Northfield, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

With Comparative Totals for 2021

	2022										2021
	Basic Needs	Program Services			Total Program Services	Support Services			Total All Services	Total All Services	
		Youth Programs	Housing Programs	Creating Community		Management and General	Fundraising	Total Support Services			
Salaries	\$ 550,571	\$ 65,500	\$ 227,781	\$ 106,355	\$ 950,207	\$ 194,372	\$ 37,746	\$ 232,118	\$ 1,182,325	\$ 921,716	
Payroll taxes	38,943	5,178	16,493	7,410	68,024	20,278	2,945	23,223	91,247	78,777	
Employee benefits	7,081	642	2,440	913	11,076	2,318	411	2,729	13,805	74,291	
Total personnel costs	596,595	71,320	246,714	114,678	1,029,307	216,968	41,102	258,070	1,287,377	1,074,784	
Grants and assistance	1,021,577	61,781	84,762	3,188	1,171,308	24,248	-	24,248	1,195,556	676,980	
Professional fees	21,830	3,023	16,527	5,250	46,630	171,116	663	171,779	218,409	177,162	
Occupancy	77,056	480	-	-	77,536	92,775	-	92,775	170,311	153,189	
Supplies	26,969	11,729	8,004	31	46,733	18,465	2	18,467	65,200	128,428	
Other expenses	6,669	-	7,674	-	14,343	7,980	-	7,980	22,323	46,236	
Utilities	18,635	-	16,883	-	35,518	6,717	-	6,717	42,235	40,817	
Repairs and maintenance	9,678	-	38,694	-	48,372	2,096	-	2,096	50,468	36,506	
Postage and printing	14,799	378	-	-	15,177	29,376	639	30,015	45,192	26,261	
Insurance	-	-	-	-	-	27,382	-	27,382	27,382	14,065	
Bank fees and interest	4,769	1,752	382	219	7,122	6,053	1,445	7,498	14,620	13,107	
Dues, fees and subscription	1,475	-	480	20	1,975	6,046	-	6,046	8,021	13,022	
Telephone and internet	3,224	750	1,939	-	5,913	2,324	-	2,324	8,237	9,832	
Meeting and conference	2,119	237	740	5	3,101	16,197	14	16,211	19,312	5,090	
Advertising and promotion	248	500	-	-	748	205	-	205	953	3,997	
Staff and board development	-	-	-	-	-	358	-	358	358	2,147	
Travel	4,817	113	-	-	4,930	310	-	310	5,240	1,928	
Depreciation	-	-	-	-	-	73,244	-	73,244	73,244	50,663	
Total expense	<u>\$ 1,810,460</u>	<u>\$ 152,063</u>	<u>\$ 422,799</u>	<u>\$ 123,391</u>	<u>\$ 2,508,713</u>	<u>\$ 701,860</u>	<u>\$ 43,865</u>	<u>\$ 745,725</u>	<u>\$ 3,254,438</u>	<u>\$ 2,474,214</u>	

See notes to consolidated financial statements

Community Action Center of Northfield, Inc.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	2021								
	Basic Needs	Support Services			Total Program Services	Support Services		Total Support Services	Total All Services
		Youth Programs	Housing Programs	Creating Community		Management and General	Fundraising		
Salaries	\$ 392,253	\$ 117,213	\$ 142,131	\$ 221,213	\$ 872,810	\$ 13,375	\$ 35,531	\$ 48,906	\$ 921,716
Employee benefits	31,622	9,556	11,969	17,973	71,120	195	2,976	3,171	74,291
Payroll taxes	30,869	11,452	12,832	21,576	76,729	(1,262)	3,310	2,048	78,777
					-				
Total personnel costs	454,744	138,221	166,932	260,762	1,020,659	12,308	41,817	54,125	1,074,784
					-				-
Grants and assistance	560,410	20,975	93,181	2,367	676,933	47	-	47	676,980
Professional fees	18,869	12,390	32,513	30,459	94,231	50,390	32,541	82,931	177,162
Occupancy	111,415	587	-	587	112,589	40,600	-	40,600	153,189
Supplies	55,860	63,902	5,165	-	124,927	3,475	26	3,501	128,428
Other expenses	10,428	-	18,443	-	28,871	16,126	1,239	17,365	46,236
Utilities	7,169	-	33,648	-	40,817	-	-	-	40,817
Repairs and maintenance	5,750	-	29,238	-	34,988	1,518	-	1,518	36,506
Postage and printing	7,878	371	-	-	8,249	7,460	10,552	18,012	26,261
Insurance	1,635	-	-	-	1,635	12,430	-	12,430	14,065
Bank fees and interest	368	-	-	-	368	1,069	11,670	12,739	13,107
Dues, fees and subscription	2,219	9	3,949	186	6,363	6,659	-	6,659	13,022
Telephone and internet	4,611	1,200	3,098	-	8,909	923	-	923	9,832
Meeting and conference	483	57	-	38	578	4,438	74	4,512	5,090
Advertising and promotion	3,698	-	-	-	3,698	299	-	299	3,997
Staff and board development	915	249	66	668	1,898	249	-	249	2,147
Travel	1,513	269	21	-	1,803	125	-	125	1,928
Depreciation	-	-	37,204	-	37,204	13,459	-	13,459	50,663
Total expense	\$ 1,247,965	\$ 238,230	\$ 423,458	\$ 295,067	\$ 2,204,720	\$ 171,575	\$ 97,919	\$ 269,494	\$ 2,474,214

See notes to consolidated financial statements

Community Action Center of Northfield, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 342,871	\$ 1,684,024
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	73,244	50,663
Donated land and improvements	(315,000)	(83,100)
Unrealized loss (gain) on investments	146,733	(172,449)
Realized gain on investments	(26,535)	(33,321)
PPP loan forgiveness	-	(72,100)
Loss on disposal of asset	161,484	-
Increases (decreases) in current liabilities:		
Accounts payable	(47,535)	132
Accrued personnel costs	6,213	4,392
Funds Held for others	27,431	(3,894)
Tenant security deposits	-	(6,425)
Decreases (increases) in current assets:		
Grants and contributions receivable	(112,824)	(17,990)
Accounts receivable	12,940	33,931
Prepaid expense	(14,399)	(2,873)
Inventory	(9,690)	-
Other assets	48,134	(19,981)
Net cash flows from operating activities	<u>293,066</u>	<u>1,361,009</u>
Cash Flows From Investing Activities		
Purchase of investments	(19,958)	(232,919)
Proceeds from sale of investments	48,698	254,027
Purchase of property and equipment	(2,934,556)	(124,375)
Net cash from investing activities	<u>(2,905,816)</u>	<u>(103,267)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of notes payable	1,474,589	-
Net cash flows from financing activities	<u>1,474,589</u>	<u>-</u>
Net change in cash and cash equivalents	(1,138,161)	1,257,742
Cash and Cash Equivalents, Beginning	<u>2,691,486</u>	<u>1,433,744</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,553,325</u>	<u>\$ 2,691,486</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 952</u>	<u>\$ -</u>

See notes to consolidated financial statements

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Community Action Center of Northfield, Inc. include the accounts of Community Action Center of Northfield, Inc. and its wholly owned subsidiaries: Community Action Shelter Associates, Inc. and Community Action Shelter Associates 2, Inc. All material inter-organizational transactions have been eliminated.

Organizational Purpose

Community Action Center of Northfield, Inc., Community Action Shelter Associates, Inc. and Community Action Shelter Associates 2, Inc. (collectively, the Organization) is a Minnesota nonprofit organization. The Organization's mission is to promote a healthy, caring and just community for all people through resources, advocacy and volunteer effort. The Organization provides assistance and support for people with short-term human service needs as they seek to become self-sufficient to the best of their ability.

Community Action Shelter Associates, Inc. was established in 2002 and Community Action Shelter Associates 2, Inc., was established in 2020. Both organizations are classified by the Internal Revenue Service as a tax-exempt charitable organization under Section 501(c)(3) of the IRC. The organizations were established to maintain ownership of real and personal property that will provide suitable and affordable housing for qualified persons based on needs.

The Organization's programs are as follows:

Basic Needs

Giving Hope to People in Crisis - The Organization's client services staff help people in crisis to identify problems and resources. Licensed social workers oversee intake, program restriction, case management, crisis intervention, advocacy, application assistance and emergency financial assistance for income-eligible school district residents.

Food Programs - The Organization's Food Shelf has been providing quality and healthy food to those in need since 1985. The Organization is the host of Thursday's Table; which provides a hot and healthy meal for the public each Thursday evening.

Clothing - The Organization operates Northfield's Clothes Closet retail thrift store which provides discounted and sometimes free clothing and accessories to the people in the Northfield area. The store is also open to public.

Transportation - The Organization's car donation program, Community Action Auto Recycling (C.A.A.R.) accepts cars that are in good working order, and then gives the cars to clients that meet the right criteria. The Organization also provides gas vouchers, bus tokens and money for minor car repairs.

Operation Joy - The Organization's gift sharing program focuses on providing children of income-eligible service area residents with a joyful holiday experience.

Scholarships - The Organization assists low-income families with participation fees for youth athletics, day camps and other enrichment programs.

Operation Backpack - The Organization, in collaboration with a local church group, provides school supplies to children of low-income families.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Housing Programs

As part of the Organization's mission, the housing program provides those in need with a place to feel safe. The Organization provides referrals to relevant area agencies for those facing eviction or utility shutoffs. The Organization also operates a homeless shelter in Rice County to provide housing, food and support to families or individuals for up to two weeks.

Creating Community

Information and Referral - The Organization provides telephone, walk-in and web-based responses to questions about community resources and support services in the Rice County area.

Northfield Works and Newcomers - This is a job partnership program with a mission to end poverty one job at a time by providing job training and placement for low-income, underemployed and unemployed people in the community. This is a neighbor-to-neighbor engagement fueled by volunteers and employers who can collaborate with job seekers.

Volunteer Program Coordination - The Organization provides staff coordinated recruitment, training, placement, supervision and recognition for people seeking to volunteer time to agency programs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments at market value.

Revenue and Revenue Recognition

The Organization recognizes grants and contributions when cash, securities, other assets, an unconditional promise to give or a beneficial interest is received. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable state and county grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. As the revenue is recognized simultaneously as the expenditure is incurred, the Organization records the grants directly to revenue without donor restrictions. As of June 30, 2022 and 2021, there were no conditional grants outstanding.

Thrift shop sales are recognized at the time of purchase. Sales revenues are reported net of discounts, estimated returns and sales tax.

Rent income is recognized monthly based on the individual tenant leases.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. No allowance for doubtful accounts has been provided as accounts receivable are considered collectible.

Property and Equipment

All major expenditures for property and equipment above \$500 are capitalized at cost. Depreciation is calculated using of the straight-line method.

Functional Allocation of Expense

The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses are recorded in functional categories when incurred. Expenses that are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

Net Assets

In order to observe the limitations and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor-or grantor-imposed restrictions. The board has designated, from net assets without donor restrictions, net assets for Board Designated - Endowments and Board Designated - Property and Equipment of \$922,950 and \$1,878,670 for the years ended June 30, 2022 and 2021, respectively. The Organization's Board policy requires reserves approximately equal to or at least \$715,000 or other amount designated by the Board of Directors.

Net Assets with Donor Restrictions - Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Except for government grants for which the simultaneous release policy is utilized, the Organization reports contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. The donors of these resources permit the Organization to use all of part of the income earned, including capital appreciation or related investments for without donor restricted purposes.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Advertising

The Organization uses advertising to promote its cause. Advertising costs are expensed as incurred. Advertising expense was \$953 and \$3,997 for years ended June 30, 2022 and 2021, respectively.

Income Tax

Community Action Center of Northfield, Inc., Community Action Shelter Associates, Inc. and Community Action Shelter Associates 2, Inc. have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and comparable State law. Accordingly, the Organization is not subject to Federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated business activities). The Organization is also exempt from state income taxes.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of June 30, 2022 and 2021. The Organization's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

The preparation of the consolidated 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 of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

A small clothes store is maintained to provide free used clothing to persons in crisis and to provide used clothes at a nominal fee to the community at large. The Organization also maintains a food shelf. Inventories consist of used clothing and a sustaining food shelf at the Northfield Community Resource Center. The inventory was valued at \$9,960 as of June 30, 2022.

Sales Tax

The State of Minnesota and counties within the State impose a sales tax on certain items the Organization sells to non-exempt customers. The Organization collects that sales tax and remits the entire amount to the State. The Organization excludes the tax collected and remitted to the State from revenues and cost of sales. Sales tax assessed on sales are recorded as current liabilities on the consolidated statement of financial position until remitted to the state agencies.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Funds Held for Others

The Organization is fiscal agent for other organizations and individuals. Only the cash held and the corresponding liability are recorded in the consolidated financial statements.

Donated Materials and Services

Significant materials and services are donated to the Organization by various individuals, corporations and other organizations and are reflected in the accompanying consolidated financial statements at their fair values at the date of donation.

In addition, unpaid volunteers make significant contributions of their time and services in the daily operation of the Organization. The value of time is not reflected in these consolidated financial statements as it does not meet the recognition criteria of accounting principles generally accepted in the United States of America.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year consolidated financial statements.

New Accounting Pronouncement Adopted in Current Year

The Organization adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as of June 30, 2022. This standard improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of this standard did not have a material impact on the Organization's consolidated financial statements. The additional required disclosures have been added in Note 17.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the consolidated financial statements through December 28, 2022, which is the date the consolidated financial statements were available to be issued.

2. Concentrations

Major sources of support and revenue were as follows:

	June 30,	
	2022	2021
State of Minnesota	\$ 487,417	\$ 242,485

Given the significant concentration of revenue received from the government agencies included in the table above, if a significant reduction in the level of support were to occur, it is reasonably possible that it might have a significant effect on the Organization's programs and activities.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The Organization provides services within the Northfield area. Accounts, grants and pledges receivable are from governments or institutions within the Northfield area.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments. Substantially all of its cash and liquid investments are placed with high-quality financial institutions limiting the amount of credit exposure to any one institution; however, at June 30, 2022 and 2021, the Organization had funds on deposit in a local financial institution in excess of federally insured limits.

3. Uncertainties and Contingencies

The continuation of funding from governmental and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. Management considers primary funding sources to be consistent in future periods and that performance requirements will continue to be satisfactorily met.

4. Grants and Contributions Receivable

The balances of Grants and contributions receivable are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Grants and contributions receivable	\$ 262,445	\$ 149,621

All grants and contributions receivable are current and considered collectable.

5. Property and Equipment

The Organization owned the following at June 30:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Land	\$ 353,976	\$ 291,500	
Building and improvements	1,222,585	968,581	27 1/2 Years
Vehicles	87,543	87,543	5 Years
Furniture and equipment	174,859	139,735	3-10 Years
Construction in progress	2,725,998	-	
	4,564,961	1,487,359	
Less accumulated depreciation	<u>676,798</u>	<u>614,025</u>	
	<u>\$ 3,888,162</u>	<u>\$ 873,334</u>	

Depreciation expense of \$73,244 and \$50,663 was recorded for the years ended June 30, 2022 and 2021, respectively.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

6. Net Assets With Donor Restrictions

The following represents the Organization's net asset with donor restrictions at December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Basic needs	\$ 1,525	\$ 1,525
Housing	120,601	120,601
Creating communities	4,337	4,337
Capital campaign	<u>1,205,374</u>	<u>804,061</u>
	1,331,837	930,524
Subject to passage of time:		
Future operations, released the following year	96,500	107,000
Restricted in perpetuity:		
Endowment	<u>5,880</u>	<u>5,880</u>
Total net assets with donor restrictions	<u>\$ 1,434,217</u>	<u>\$ 1,043,404</u>

7. Investments

Investments were comprised of the following as of:

	<u>June 30,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 9,056	\$ 9,056	\$ 8,267	\$ 8,267
Marketable Equity Securities	199,815	184,601	20,153	22,899
Mutual Funds	<u>482,544</u>	<u>639,842</u>	<u>632,544</u>	<u>923,488</u>
Total	<u>\$ 691,415</u>	<u>\$ 833,499</u>	<u>\$ 660,964</u>	<u>\$ 954,654</u>

Investment (loss) income was as follows as of:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 6,654	\$ 5,232
Unrealized (loss) gain	(146,733)	172,449
Realized gain	<u>19,881</u>	<u>28,089</u>
Total	<u>\$ (120,198)</u>	<u>\$ 205,770</u>

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

8. Fair Value Measurements

In accordance with the accounting standards, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 9,056	\$ -	\$ -	\$ 9,056
Marketable Equity Securities	184,601	-	-	184,601
Mutual Funds	639,842	-	-	639,842
Total	<u>\$ 833,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 833,499</u>

The following is a summary of the inputs used to determine the fair value of the investments at June 30, 2021:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 8,267	\$ -	\$ -	\$ 8,267
Marketable Equity Securities	22,899	-	-	22,899
Mutual Funds	923,488	-	-	923,488
Total	<u>\$ 954,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 954,654</u>

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

9. Board Designated Net Assets

Certain amounts were designated by the Board of Directors as of:

	June 30,	
	2022	2021
Board designated, property and equipment	\$ -	\$ 873,334
Board designated, endowments: future occupancy	552,676	601,138
Board designated, endowments: future operations	233,380	267,303
Board designated, endowments: intermediate needs	136,895	136,895
Total	<u>\$ 922,950</u>	<u>\$ 1,878,670</u>

10. Endowment Fund

Description

The Endowment consists of funds with donor restrictions and without donor restrictions established for the following purposes:

Funds with donor restrictions (in perpetuity) are donor restricted to be held in perpetuity, with the income and related investment gains to be used for any mission related program.

Funds without donor restrictions are designated by the Board of Directors to function as endowments, and are held at the discretion of the Board of Directors, with the income and related investment gains to be used for any mission related purpose.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization should act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (a) the original value of the gifts donated to the endowment that is perpetual in nature, (b) the original value of subsequent gifts to the endowment that is perpetual in nature and (c) accumulations to the endowment that is perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund

	June 30, 2022		
	Without Restrictions	With Donor Restrictions in Perpetuity	Total
Donor restricted	\$ -	\$ 5,880	\$ 5,880
Board-designated	922,950	-	922,950
Total	<u>\$ 922,950</u>	<u>\$ 5,880</u>	<u>\$ 928,830</u>
	June 30, 2021		
	Without Restrictions	With Donor Restrictions in Perpetuity	Total
Donor restricted	\$ -	\$ 5,880	\$ 5,880
Board-designated	1,005,336	-	1,005,336
Total	<u>\$ 1,005,336</u>	<u>\$ 5,880</u>	<u>\$ 1,011,216</u>

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Changes in Endowment Net Assets

	Without Restrictions	With Donor Restrictions in Perpetuity	Total
June 30, 2020	\$ 879,765	\$ 5,880	\$ 885,645
Investment return: Investment gain	125,571	-	125,571
June 30, 2021	1,005,336	5,880	1,011,216
Investment return: Investment loss	(82,386)	-	(82,386)
June 30, 2022	<u>\$ 922,950</u>	<u>\$ 5,880</u>	<u>\$ 928,830</u>

11. Funds Held for Others

The Organization holds funds for the following as of:

	June 30,	
	2022	2021
Subject to expenditure for specified purpose:		
Operation Backpack	\$ 13,667	\$ 38,345
Northfield Supporting Neighbors	-	8,055
Others	2,841	(1,801)
Northfield Ultimate Frisbee	2,125	1,410
Northfield Youth Sports Collab	-	-
Cannon Valley Farmers Market	-	-
Faith Garden	-	55
Total funds held for others	<u>\$ 18,633</u>	<u>\$ 46,064</u>

12. Leasing Commitments

Rental commitments under noncancelable leases for office and shelter space in effect at June 30, 2022, totaled \$318,630. The future annual rental commitments are as follows:

Due in the years ending June 30:	
2023	\$ 171,640
2024	81,990
2025	31,200
2026	31,200
2027	2,600
Total	<u>\$ 318,630</u>

Rental expense for office and shelter space and equipment was \$170,311 and \$153,189 for the years ended June 30, 2022 and 2021, respectively.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

13. Retirement Plan

Effective January 1, 2002, the Organization has a 403(b) thrift plan whereby the Organization contributes 2% of eligible employee compensation during the year. The employer base contribution will be made whether or not the employee is contributing. It covers those employees who meet eligibility requirements. Contributions of \$12,906 and \$14,445 were made in the years ended June 30, 2022 and 2021, respectively.

14. Liquidity and Availability

The following represents the Organization's financial assets at:

	June 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,553,325	\$ 2,691,486
Grants and contributions receivable	262,445	149,621
Accounts receivable	11,459	24,399
Other assets	-	48,134
Investments	833,499	954,654
Total financial assets	2,660,728	3,868,294
Less assets not available to be used for general expenditures within one year:		
Net assets with donor restrictions	1,434,217	1,043,404
Board designated-endowments	922,950	1,005,336
Net assets with restrictions to be met within a year	(1,428,337)	(233,463)
Total assets not available to be used within one year	928,830	1,815,277
Financial assets available for general expenditures within one year	\$ 1,731,898	\$ 2,053,017

The Organization maintains a board designated-endowments of \$922,950 that is not considered available for use within one year. Although the Organization does not intend to spend from this board designated-endowments, these amounts could be made available if necessary.

As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

15. Collaborative Agreement

The organization is one of several members within the MACC Alliance, Inc. (also a non-profit) which delivers a shared solution for meeting the key administrative functions of finance, human resources and information technology. This partnership was formed to support the needs of all members with enhanced quality of administrative functions, reduced operating risk and controlled costs. For the years ended June 30, 2022 and 2021 fees paid to the MACC alliance totaled \$156,115 and \$44,035.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

16. Notes Payable

The breakdown of notes payable was as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Construction loan note payable to Merchants Bank. Total loan amount available of \$2,350,000 payable in monthly installments of \$10,606, including interest, through February 20, 2033. The interest rate is 3.250% for the first 60 payments and then adjusted to US Treasury 5-year yield, plus margin of 2500 percentage points with floor of 3.250%. Secured by mortgage on property at Sheldahl Road, which has a carrying value of approximately \$2,800,000 as of June 30, 2022.	\$ 1,474,589	\$ -
Total notes payable	<u>1,474,589</u>	<u>-</u>
Less portion due within one year	<u>(26,557)</u>	<u>-</u>
Long-term portion	<u>\$ 1,448,032</u>	<u>\$ -</u>

Principal payments required are as follows:

Years ending June 30:		
2023	\$	26,557
2024		81,418
2025		84,104
2026		94,246
2027		97,356
2028 and beyond		<u>1,090,908</u>
Total	<u>\$</u>	<u>1,474,589</u>

Interest expense related to all notes was \$952 for the year ended June 30, 2022.

Community Action Center of Northfield, Inc.

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

17. In-Kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the consolidated statements of activities included:

	<u>2022</u>	<u>2021</u>
Donated land	\$ 315,000	\$ -
Foods	579,346	343,566
Clothing	46,242	-
Supplies	<u>83,769</u>	<u>89,500</u>
Total	<u>\$ 1,024,357</u>	<u>\$ 433,066</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed land, food and supplies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed items are utilized in operations or supporting services of the Organization. In valuing food and supplies, the Organization estimated the fair value on the basis of estimates of the cost of similar items if purchased. The Organization values the donated thrift shop items at \$1 per pound of donated goods.

The Organization received a donation of land in the year ended June 30, 2022 that was recorded at the value from the most recent Property Tax Statement.

Community Action Center of Northfield, Inc.

 Consolidating Schedule of Financial Position
 June 30, 2022

	Community Action Center of Northfield, Inc.	Community Action Shelter Associates, Inc.	Community Action Shelter Associates 2, Inc.	Community Action Center Faribault	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 1,360,691	\$ 160,989	\$ 31,645	\$ -	\$ -	\$ 1,553,325
Grants and contributions receivable	244,318	-	2,040	16,087	-	262,445
Accounts receivable	-	-	11,459	-	-	11,459
Prepaid expense	46,770	-	-	7,110	-	53,880
Investments	266,719	-	-	-	-	266,719
Inventory	9,690	-	-	-	-	9,690
Due to related organization	1,033,041	2,382	1,170,877	40,090	(2,246,390)	-
Total current assets	2,961,229	163,371	1,216,021	63,287	(2,246,390)	2,157,518
Long-Term Assets						
Property and equipment, net	175,713	681,278	2,839,898	191,273	-	3,888,162
Investments, designated for endowments	566,780	-	-	-	-	566,780
Total assets	<u>\$ 3,703,722</u>	<u>\$ 844,649</u>	<u>\$ 4,055,919</u>	<u>\$ 254,560</u>	<u>\$ (2,246,390)</u>	<u>\$ 6,612,460</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 70,986	\$ -	\$ 6,031	\$ 2,828	\$ -	\$ 79,845
Accrued personnel costs	57,317	-	-	9,706	-	67,023
Funds held for others	15,792	1,000	1,841	-	-	18,633
Due from related organization	442,277	110,550	1,240,728	452,835	(2,246,390)	-
Notes payable, current portion	-	-	26,557	-	-	26,557
Total current liabilities	586,372	111,550	1,275,157	465,369	(2,246,390)	192,058
Long-Term Liabilities						
Notes payable	-	-	1,448,032	-	-	1,448,032
Total liabilities	586,372	111,550	2,723,189	465,369	(2,246,390)	1,640,090
Net Assets						
Without donor restrictions:						
Board designated, endowments	922,950	-	-	-	-	922,950
Undesignated	760,183	733,099	1,332,730	(210,809)	-	2,615,203
Total without donor restrictions	1,683,133	733,099	1,332,730	(210,809)	-	3,538,153
With donor restrictions	1,434,217	-	-	-	-	1,434,217
Total net assets	3,117,350	733,099	1,332,730	(210,809)	-	4,972,370
Total liabilities and net assets	<u>\$ 3,703,722</u>	<u>\$ 844,649</u>	<u>\$ 4,055,919</u>	<u>\$ 254,560</u>	<u>\$ (2,246,390)</u>	<u>\$ 6,612,460</u>

Community Action Center of Northfield, Inc.

Consolidating Schedule of Support and Revenue, Expense and Changes in Net Assets
Year Ended June 30, 2022

	Community Action Center of Northfield, Inc.	Community Action Shelter Associates, Inc.	Community Action Shelter Associates 2, Inc.	Community Action Center Faribault	Total
Support and Revenue					
Contributions	\$ 1,284,504	\$ (599)	\$ 402,291	\$ 178,044	\$ 1,864,240
Government grants	615,705	-	-	82,564	698,269
In-kind revenue	611,663	315,000	-	97,694	1,024,357
Clothes closet sales	151,888	-	-	-	151,888
Rent income	13,614	59,900	-	-	73,514
Investment income	(120,342)	5	137	2	(120,198)
Other revenue	65,866	832	-	25	66,723
	<u>2,622,898</u>	<u>375,138</u>	<u>402,428</u>	<u>358,329</u>	<u>3,758,793</u>
Expenses					
Salaries	902,902	-	-	279,423	1,182,325
Payroll taxes	69,736	-	-	21,511	91,247
Employee benefits	12,794	-	-	1,011	13,805
	<u>985,432</u>	<u>-</u>	<u>-</u>	<u>301,945</u>	<u>1,287,377</u>
Grants and assistance	1,017,517	(1)	-	178,040	1,195,556
Professional fees	182,728	13,589	1,043	21,049	218,409
Occupancy	141,711	-	-	28,600	170,311
Supplies	56,715	(2,654)	994	10,145	65,200
Other expenses	9,505	7,762	2,492	2,564	22,323
Utilities	12,785	14,710	2,173	12,567	42,235
Repairs and maintenance	9,065	38,236	319	2,848	50,468
Postage and printing	30,945	-	245	14,002	45,192
Insurance	27,382	-	-	-	27,382
Bank fees	12,593	340	1,435	252	14,620
Dues, fees and subscription	6,527	480	-	1,014	8,021
Telephone and internet	7,092	(111)	-	1,256	8,237
Meeting and conference	17,495	-	-	1,817	19,312
Advertising and promotion	648	-	-	305	953
Staff and board development	358	-	-	-	358
Travel	3,525	-	-	1,715	5,240
Loss on disposal of asset	-	-	161,484	-	161,484
Depreciation	27,523	36,594	1,188	7,939	73,244
	<u>2,549,546</u>	<u>108,945</u>	<u>171,373</u>	<u>586,058</u>	<u>3,415,922</u>
Change in net assets	73,352	266,193	231,055	(227,729)	342,871
Net Assets, Beginning	<u>3,043,998</u>	<u>466,906</u>	<u>1,101,675</u>	<u>16,920</u>	<u>4,629,499</u>
Net Assets, Ending	<u>\$ 3,117,350</u>	<u>\$ 733,099</u>	<u>\$ 1,332,730</u>	<u>\$ (210,809)</u>	<u>\$ 4,972,370</u>