Financial Statements
June 30, 2021 and 2020

Change, Inc.

EideBailly®

Independent Auditor's Report

The Board of Directors
Change, Inc.
St. Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Change, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Minneapolis, Minnesota
May 10, 2022

	2021	2020
Assets		
Cash and cash equivalents	$ 749,816	$ 663,479
Accounts receivable	988,812	766,505
Prepaid expenses and other assets	70,634	16,236
Property and equipment, net	1,079,298	1,083,505
Investments	15,715	15,715
Cash held for endowment	33,065	33,065
Total assets	$ 2,937,340	$ 2,578,505
Liabilities and Net Assets		
Accounts payable	$ 43,607	$ 55,705
Accrued salaries and payroll liabilites	286,109	186,993
Other liabilities	38,438	9,461
Pass-through liability	123,949	8,616
Line of credit	-	195,000
Notes payable	150,000	-
Paycheck Protection Program (PPP) note payable	-	337,024
Total liabilities	642,103	792,799
Net Assets		
Without donor restrictions		
Undesignated	1,880,247	1,589,542
Board-designated	157,746	500
	2,037,993	1,590,042
With donor restrictions	257,244	195,664
Total net assets	2,295,237	1,785,706
Total liabilities and net assets	$ 2,937,340	$ 2,578,505

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Government grants	$ 4,137,492	$ -	$ 4,137,492
Program service fees	687,597	-	687,597
Individual, foundation, and corporate grants and contributions	230,168	224,354	454,522
Net investment return	7,142	-	7,142
Medical billings	1,165,687	-	1,165,687
Contributions received under PPP	337,024	-	337,024
Other income	57,681	-	57,681
Gain on sale of property and equipment	127,244	-	127,244
Distributions from beneficial interests in assets held by others	-	8,599	8,599
Net assets released from restrictions	171,373	(171,373)	-
Total revenue, support, and gains	6,921,408	61,580	6,982,988
Expenses			
Program services expense	5,538,102	-	5,538,102
Supporting services expense			
Management and general	770,639	-	770,639
Fundraising and development	164,716	-	164,716
Total supporting services expenses	935,355	-	935,355
Total expenses and losses	6,473,457	-	6,473,457
Change in Net Assets	447,951	61,580	509,531
Net Assets, Beginning of Year	1,590,042	195,664	1,785,706
Net Assets, End of Year	$ 2,037,993	$ 257,244	$ 2,295,237

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Government grants	$ 2,967,871	$ -	$ 2,967,871
Program service fees	581,411	-	581,411
Individual, foundation, and corporate grants and contributions	261,770	161,099	422,869
Net investment return	104	-	104
Medical billings	1,140,226	-	1,140,226
Contributions received under PPP	464,271	-	464,271
Other income	40,403	-	40,403
Gain on sale of property and equipment	1,075	-	1,075
Distributions from beneficial interests in assets held by others	-	8,608	8,608
Net assets released from restrictions	8,608	(8,608)	-
Total revenue, support, and gains	5,465,739	161,099	5,626,838
Expenses			
Program services expense	4,777,757	-	4,777,758
Supporting services expense			
Management and general	650,489	-	650,489
Fundraising and development	122,553	-	122,553
Total supporting services expenses	773,042	-	773,042
Total expenses and losses	5,550,800	-	5,550,800
Change in Net Assets	(85,061)	161,099	76,038
Net Assets, Beginning of Year	1,675,103	34,565	1,709,668
Net Assets, End of Year	$ 1,590,042	$ 195,664	$ 1,785,706

Change, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services								Supporting Services			
	Education	Youth Training and Employment	Food Service	Community Outreach	Welcome & Keep	School-based Mental Health	Change Institute	Total	Management and General	Fundraising and Development	Total	Total Expenses
Salaries and Wages	$ 668,243	$ 638,757	$ 105,895	$ 483,541	$ 194,447	$ 1,335,717	$ 137,702	$ 3,564,302	$ 373,069	$ 132,617	$ 505,686	$ 4,069,988
Payroll Taxes and Benefits	135,768	139,631	19,410	77,873	36,510	288,653	26,176	724,021	97,121	23,491	120,612	844,633
Professional and Outside Services	11,629	3,533	219	11,076	219	215,826	48,263	290,765	192,375	3,816	196,191	486,956
Staff Development	18,089	1,737	843	1,019	3,438	11,941	6,725	43,792	27,560	1,026	28,586	72,378
Occupancy	37,161	77,383	7,627	14,865	7,432	73,450	29,397	247,315	12,060	1,486	13,546	260,861
Minor Equipment and Maintenace	28,025	11,953	2,929	9,740	1,708	32,282	1,868	88,505	7,544	342	7,886	96,391
Supplies	18,618	28,387	130,768	6,648	627	9,116	1,393	195,557	6,613	84	6,697	202,254
Printing and Postage	511	1,845	76	151	76	264	60	2,983	3,147	1,014	4,161	7,144
Vehicle Expense	220	1,587	1,560	1,447	-	4,275	-	9,089	435	-	435	9,524
Transportation and Stipends	131,423	150,450	-	9,178	-	300	-	291,351	-	-	-	291,351
Bank Account Expense	-	-	-	-	-	-	30	30	9,648	-	9,648	9,678
Miscellaneous Expense	-	(34)	1,431	-	-	-	-	1,397	36,865	-	36,865	38,262
Depreciation	21,009	29,413	4,202	8,404	4,202	8,404	3,361	78,995	4,202	840	5,042	84,037
	$ 1,070,696	$ 1,084,642	$ 274,960	$ 623,942	$ 248,659	$ 1,980,228	$ 254,975	$ 5,538,102	$ 770,639	$ 164,716	$ 935,355	$ 6,473,457

Change, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services										Supporting Services			
	Education	Youth and Family Services	Adult Literacy	Extended Day/Year	Food Service	Counseling	Youth Employment	Clinical Mental Health Services	Change Institute	Total	Management and General	Fundraising and Development	Total	Total Expenses
Salaries and Wages	$ 298,089	$ 272,260	$ 342,525	$ 43,894	$ 79,177	$ 1,650,210	$ 558,502	$ -	$ -	$ 3,244,657	$ 339,895	$ 103,456	$ 443,351	$ 3,688,008
Payroll Taxes and Benefits	68,831	47,574	76,446	9,001	18,973	343,833	135,859	-	-	700,517	86,150	11,340	97,490	798,007
Professional and Outside Services	8,369	3,210	22,125	3,560	3,210	246,038	22,797	21,027	2,030	332,366	173,248	2,097	175,345	507,711
Staff Development	759	2,848	25	-	700	17,688	14,015	-	-	36,035	6,882	-	6,882	42,917
Occupancy	18,816	7,551	31,842	7,273	7,237	62,249	51,844	6,290	-	193,102	6,465	1,454	7,919	201,021
Minor Equipment and Maintenance	2,890	5,202	4,891	1,112	1,850	5,217	8,014	-	-	29,176	10,659	222	10,881	40,057
Supplies	2,733	698	3,870	1,388	51,514	10,259	10,293	-	-	80,755	2,505	1,093	3,598	84,353
Printing and Postage	181	70	307	70	70	472	942	-	-	2,112	628	2,042	2,670	4,782
Vehicle Expense	121	690	23	137	1,307	3,972	3,345	2,105	-	11,700	562	1	563	12,263
Student Activities, Transportation, and Stipends	4,331	2,650	3,970	8,156	-	(956)	47,784	-	-	65,935	1,400	-	1,400	67,335
Bank Account Expense	1,479	6	28	26	8	110	1,084	-	-	2,741	18,783	19	18,802	21,543
Depreciation	10,764	4,140	18,216	4,140	4,140	8,280	28,981	-	-	78,661	3,312	829	4,141	82,802
	$ 417,363	$ 346,899	$ 504,268	$ 78,757	$ 168,186	$ 2,347,372	$ 883,460	$ 29,422	$ 2,030	$ 4,777,757	$ 650,489	$ 122,553	$ 773,042	$ 5,550,799

	2021	2020
Operating Activities		
Change in net assets	$ 509,531	$ 76,038
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	84,037	82,802
Gain on sale of property and equipment	(127,244)	(1,075)
Contribution recognized related to Paycheck Protection Program note payable	(337,024)	(464,271)
Changes in operating assets and liabilities		
Accounts receivable, net	(222,307)	(251,312)
Prepaid expenses and other assets	(54,398)	17,123
Accounts payable	(12,098)	2,204
Accrued salaries and payroll liabilites	99,116	29,405
Pass-through liability	115,333	621
Other liabilities	28,977	(18,280)
Net Cash from (used for) Operating Activities	83,923	(526,745)
Investing Activities		
Purchases of property and equipment	(140,672)	(79,781)
Proceeds from sales of property and equipment	188,086	1,075
Net Cash from (used for) Investing Activities	47,414	(78,706)
Financing Activities		
Net borrowings under PPP advance	-	801,295
Proceeds from issuance of note payable	150,000	-
Net borrowings (repayments) under line of credit	(195,000)	195,000
Net Cash from (used for) Financing Activities	(45,000)	996,295
Net Change in Cash, Cash Equivalents, and Restricted Cash	86,337	390,844
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	696,544	305,700
Cash, Cash Equivalents, and Restricted Cash End of Year	$ 782,881	$ 696,544
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$ 7,829	$ 8,767
Cash and cash equivalents	$ 749,816	$ 663,479
Cash held for endowment	33,065	33,065
Total Cash, Cash Equivalents and Restricted Cash	$ 782,881	$ 696,544

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Change Inc. (hereafter referred to as the Organization) is a nonprofit organization established to utilize the power of relationships and community to create educational, training, and healing opportunities for children, youth, young adults, and families so that they achieve their highest ambition. The Organization believes relationships are the key to change; cultural knowledge is critical to growth and healing; and hope is an essential element to encouraging people challenged by barriers. Change Inc. envisions a world in which children, youth, and young adults, regardless of their place of birth or economic resources, succeed in school and grow to their full potential.

Change Inc. has been described as having “grit,” in that they consistently work to overcome difficult situations and find ways to creatively empower participants. The barriers our community faces do not have a single solution; instead, they require an ongoing organizational desire to change and adapt. Staff are empowered to be persistent, courageous, and to utilize their strength of character and culture alongside that of those they serve. This creates an atmosphere that is nimble, responsive, and built on a collaborative foundation to actively respond to community needs.

Change Inc. serves the farthest out kids; the kids facing the most barriers to success in school. In Minnesota, the farthest out kids are most often from Black, Indigenous, or People of Color (BIPOC), low income, immigrant/refugee, and English Language Learner communities. Additionally, most often, the farthest out kids have experienced trauma, often extreme, in their short lives.

Change Inc. programming is grounded in the belief that children and youth will be most successful in life if they are successful in school. To support this foundation, our staff support each participant to increase academic skills, career readiness, and social emotional resilience. Change Inc. serves nearly 900 participants annually. Programming takes place throughout Saint Paul and Minneapolis and falls into three core strategies: Community & School Collaborative, GAP School, and Change Institute.

GAP School serves approximately 200 youth and young adults (ages 15-24) annually through education and enrichment; training that leads to employment; and social and emotional supports. Through long-term partnerships with Saint Paul Public Schools, the Saint Paul Community Literacy Consortium, and YouthBuild USA, GAP School helps youth at risk of school failure complete their high school diploma while earning an industry-recognized certificate in an environment better tailored to meet their strengths and needs.

The Community & School Collaborative (CSC) serves over 700 kids annually to remove mental and emotional barriers to school success. Throughout the past 15 years, services have expanded to include mentoring, case management, care coordination, and therapy. Today, CSC partners with Minneapolis Public Schools, Saint Paul Public Schools, Hennepin County, Ramsey County, Minnesota Department of Human Services, and Minnesota Office of Justice Programs to serve kids and families throughout the Twin Cities.

Change Institute brings healing, teaching, and advocacy together to look at influencing systems change and approaching sustainability. Change Institute helps develop and implement trainings focused on preparing caring adults (teachers, administrators, therapists, etc.) to best meet community mental health needs for children, youth, and young adults. We work to empower a diverse clinical workforce that is prepared to serve children and families facing complicated barriers in the Twin Cities.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due on fee-for-service contracts. Allowance for uncollectable on receivables is determined based on historical experience, an assessment of economic conditions, management's analysis, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2021 and 2020, the allowance was $0.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There were no outstanding promises to give as of June 30, 2021 and 2020.

Property and Equipment

Property and equipment additions over $1,000 are recorded at cost, or if donated, at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the statement of activities.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies these net assets with donor restrictions to net assets without donor restrictions at that time.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021 or 2020.

Beneficial Interests in Charitable Trusts Held by Others

The Organization has solicited contributions that were made directly to the Saint Paul Foundation (the Foundation). As the donors have explicitly granted variance power to the Foundation, only the investment return from the contributions will be distributed to the Organization via grants, subject to the Foundation's spending policy and the Foundation's right to redirect the return on these contributions to another beneficiary without the approval of the donor, the Organization, or any other party if distributions to the Organization become unnecessary, impossible, or inconsistent with the needs of the community. As such, the Organization is precluded from recognizing the rights to these assets. At June 30, 2021 and 2020, approximately $250,151 and $200,542, respectively, was held in the Foundation related to these contributions. Grants of $8,599 and $8,608 have been distributed from these funds during the year ended period June 30, 2021 and 2020, respectively.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Pass-Through Liability

The Organization periodically acts as an agent for donors and grantors. It accepts assets from donors and agrees to use those amounts to benefit a specified beneficiary. These transactions are not included in the statement of activities since the Organization has no discretion in determining how the funds are used. Such agency amounts collected are recorded as liabilities until released to the beneficiary.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and 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 contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of $1,557,247 and $2,804,459 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred. The Organization's receivables as of July 1, 2019, was $515,193 and as of July 1, 2020, was $766,505, respectively.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2021 or 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits, professional and outside services, staff development, minor equipment and maintenance, supplies, printing and postage, and depreciation, which are allocated on the basis of estimates of time and effort or a square footage usage allocation.

Income Taxes

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an entity described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments, Concentration, and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and payors supportive of the Organization’s mission.

During the years ended June 30, 2021 and 2020, approximately 65% and 54%, respectively, of government grant revenue reported on the statement of activities was earned from four payors and three payors. 81% and 70% of outstanding receivables were due from seven payors and six payors at June 30, 2021 and 2020, respectively.

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605*, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

The Organization adopted the provisions of Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU provides revisions and deletions to guidance regarding the disclosure requirements included in Topic 820, including eliminating and modifying existing disclosure requirements. The accounting change has been retrospectively applied to prior periods presented, as required.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	$ 749,816	$ 663,479
Accounts receivable	988,812	766,505
	$ 1,738,628	$ 1,429,984

The Organization is primarily funded by government grants and earned revenue. Both revenue streams are paid via reimbursement. Therefore, the Organization must maintain adequate cash to cover program expenses while awaiting cash reimbursement on a monthly or quarterly basis. The Organization seeks to deepen its cash reserves to aid in the potential shortage this situation poses. To this end, the Board of Directors adopted a policy to establish and maintain an Operating Reserve sufficient to fund 90 days operating expenses. The Operating Reserve does not yet have an established funding source other than surpluses from operations.

The Board of Directors designated $157,000 at the end of the current fiscal year for capital spending plans in future years. These include making plans for a renovation of GAP School and expansion of our office in Northeast Minneapolis.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

> Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
>
> Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The fair value of the donated gemstones is considered to be a Level 3 measurement.

Fair values of assets measured on a nonrecurring basis at June 30, 2021 and 2020, are as follows:

		Fair Value Measurements at Report Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
Long-lived asset held and used gemstones	$ 15,715	$ -	$ -	$ 15,715	$ -

Fair value for the donated gemstones is based on estimation provided by an appraiser and was written down in 2012 to the estimated fair market value. Management does not believe there has been any significant change in value of these gemstones since the last appraisal was performed, therefore no appraisal was obtained as of June 30, 2021 and 2020. These assets are reported within the investments on the statement of financial position.

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2021 and 2020:

	2021	2020
Land	$ 6,400	$ 6,400
Buildings and improvements	2,734,074	2,763,211
Equipment and furniture and fixtures	444,309	447,385
Vehicles	26,383	13,180
Leashold improvements	25,000	25,000
Construction in progress	144,079	53,695
	3,380,245	3,308,871
Less accumulated depreciation and amortization	(2,300,947)	(2,225,366)
	$ 1,079,298	$ 1,083,505

The construction in progress relates to purchased property and building materials for renovation through the Organization's youth employment program. The houses are sold to the public after they are completed.

Depreciation expense totaled $84,037 and $82,802 for the years ended June 30, 2021 and 2020, respectively.

Note 5 - Note Payable

Notes payable consist of the following at June 30, 2021 and 2020:

	2021	2020
2.75% note payable, due in monthly installments, payments start on July 2022 from U.S. Small Business Administration	$ 150,000	$ -
1.0% note payable, due in monthly installments, including interest, to April 2022 from Drake Bank as a part of the Paycheck Protection Program (*)	-	337,024
	150,000	337,024
Less current maturities	(5,000)	-
Long-term debt, less current maturities and unamortized debt issuance costs	$ 145,000	$ 337,024

Future maturities of notes payable are as follows:

Years Ending June 30,	Amount
2022	$ 5,000
2023	5,000
2024	5,000
2025	5,000
2026	5,000
Thereafter	125,000
Total	$ 150,000

(*) The Organization was granted an $801,295 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner in 2020. The loan was uncollateralized and was fully guaranteed by the Federal Government. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. For the years ended June 30, 2021 and 2020, the Organization has recorded contribution revenue (debt forgiveness) of $337,024 and $464,321, respectively, based on management's assessment that there is no longer a measurable performance or other barrier and a right to return. These amounts are reflected on the statements of activities for the years ended June 30, 2021 and 2020. The Organization received notice of full forgiveness from the SBA during the year ended June 30, 2021.

Note 6 - Line of Credit

The Organization had a $195,000 line of credit with Propel as of June 30, 2020. Borrowings under the line bore interest at 6.5%. There was $195,000 outstanding on the line of credit as of June 30, 2020. This amount was repaid during the year ended June 30, 2021, and the line was not extended.

Note 7 - Leases

Equipment is leased under various operating leases, expiring at various dates through 2025.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2022	$ 70,123
2023	70,054
2024	61,742
2025	27,850
	$ 229,769

Rent expenses charged to operations under these leases amounted to $70,659 and $88,358 for the years ended June 30, 2021 and 2020, respectively.

Note 8 - Endowment

The Organization's endowment (the Endowment) consists of one individual fund established by donors to provide annual funding for general operations.

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (the UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment) and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by the UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

As of June 30, 2021 and 2020, endowment net asset composition by type of fund is as follows:

2021	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 33,065	$ 33,065
	$ -	$ 33,065	$ 33,065

2020	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 33,065	$ 33,065
	$ -	$ 33,065	$ 33,065

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of June 30, 2021 and 2020.

As of June 30, 2021, an investment and spending policy is not in place for the Endowment due to the small balance of the endowment fund.

There were no changes in endowment net assets for the year ended June 30, 2021 and 2020.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose		
Community School Collaborative	$ 60,000	$ 80,000
Opportunity reboot	-	47,884
Scholarships	5,500	5,541
Computers	51,229	-
Council of Black Men Success	-	16,665
Other	32,450	12,509
	149,179	162,599
Subject to the passage of time	75,000	-
	224,179	162,599
Endowments		
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General use	33,065	33,065
	$ 257,244	$ 195,664

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the period ended June 30, 2021 and 2020:

	2021	2020
Distributions (proceeds are not restricted by donors)		
Beneficial interests in charitable trusts held by others	$ 8,599	$ 8,608
Net assets released from restriction		
Community School Collaborative	$ 80,000	$ -
Opportunity reboot	47,883	-
Council of Black Men Success	16,665	-
Scholarships	1,539	-
Computers	6,125	-
Other	10,562	-
	$ 162,774	$ -

Note 10 - Employee Benefits

The Organization has a Salary Reduction Retirement Plan which is qualified under Section 403(b) of the Internal Revenue Code. Eligible employees can elect to participate by contributing pre-tax dollars from payroll checks to the plan. The Organization matches 100% of the first 4% of the employee’s contributions. For the period ended June 30, 2021 and 2020, the Organization contributed $104,311 and $95,613, respectively, to the 403(b) Plan.

Note 11 - Subsequent Events

Subsequent to year-end the Organization entered into an agreement to begin a renovation of the GAP School. The renovation project is estimated to have a total cost of approximately $4,800,000. To assist with funding the project the Organization enter into a promissory note totaling $300,000 and an additional line of credit with up to $300,000 of available funding.

The Organization has evaluated subsequent events through May 10, 2022, the date the financial statements were available to be issued.