



Consolidated Financial Statements
December 31, 2017 and 2016

Keystone Community Services and Subsidiary (Urban Business Adventures)

Keystone Community Services and Subsidiary

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December 31, 2017 and 2016

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Independent Auditor's Report

The Board of Directors
Keystone Community Services
St. Paul, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Keystone Community Services and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota

June 19, 2018

Keystone Community Services and Subsidiary
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 493,441	\$ 362,112
Receivables		
Fees for service contracts, net	490,830	495,005
Prepaid expenses	42,953	15,879
Inventory	50,490	-
Total current assets	1,077,714	872,996
Investments	1,390,795	1,625,720
Property and Equipment, Net	906,196	842,739
Total assets	\$ 3,374,705	\$ 3,341,455
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 125,380	\$ 128,925
Accrued vacation and payroll tax	57,059	70,541
Accrued payroll and payroll tax	17,297	25,369
Deferred revenue	27,095	-
Total current liabilities	226,831	224,835
Noncurrent Liabilities		
Line of credit	42,029	180,000
Total liabilities	268,860	404,835
Net Assets		
Unrestricted	2,940,470	2,853,559
Temporarily restricted	165,375	83,061
Total net assets	3,105,845	2,936,620
Total liabilities and net assets	\$ 3,374,705	\$ 3,341,455

Keystone Community Services and Subsidiary
Consolidated Statements of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and grants	\$ 1,448,682	\$ 165,375	\$ 1,614,057
In-kind contributions	603,200	-	603,200
Greater Twin Cities United Way	525,326	-	525,326
Governmental contracts and grants	1,782,067	-	1,782,067
Express Bike sales			
Bike shop sales	274,985	-	274,985
Less cost of goods sold	(51,266)	-	(51,266)
Net shop sales	<u>223,719</u>	<u>-</u>	<u>223,719</u>
Program services fees	68,764	-	68,764
Food sales	597,286	-	597,286
Tours sales	166,652	-	166,652
Net investment return	155,560	-	155,560
Miscellaneous	13,196	-	13,196
Net assets released from restrictions	<u>83,061</u>	<u>(83,061)</u>	<u>-</u>
Total support, revenue, and gains	<u>5,667,513</u>	<u>82,314</u>	<u>5,749,827</u>
Expenses			
Program services expenses			
Youth services	812,783	-	812,783
Senior services	1,880,287	-	1,880,287
Basic needs	1,590,765	-	1,590,765
Express Bike	233,436	-	233,436
Total program services expenses	<u>4,517,271</u>	<u>-</u>	<u>4,517,271</u>
Supporting services expenses			
Management and general	816,559	-	816,559
Fundraising	246,772	-	246,772
Total supporting services expenses	<u>1,063,331</u>	<u>-</u>	<u>1,063,331</u>
Total expenses	<u>5,580,602</u>	<u>-</u>	<u>5,580,602</u>
Change in Net Assets	86,911	82,314	169,225
Net Assets, Beginning of Year	<u>2,853,559</u>	<u>83,061</u>	<u>2,936,620</u>
Net Assets, End of Year	<u>\$ 2,940,470</u>	<u>\$ 165,375</u>	<u>\$ 3,105,845</u>

Keystone Community Services and Subsidiary
Consolidated Statements of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and grants	\$ 1,088,421	\$ 83,061	\$ 1,171,482
In-kind contributions	844,313	-	844,313
Greater Twin Cities United Way	766,226	-	766,226
Governmental contracts and grants	1,838,161	-	1,838,161
Express Bike sales			
Bike shop sales	280,816	-	280,816
Less cost of goods sold	(92,646)	-	(92,646)
Net shop sales	<u>188,170</u>	<u>-</u>	<u>188,170</u>
Program services fees	84,535	-	84,535
Food sales	560,807	-	560,807
Tour sales	233,228	-	233,228
Net investment return	139,757	-	139,757
Miscellaneous	24,698	-	24,698
Net assets released from restrictions	<u>607,999</u>	<u>(607,999)</u>	<u>-</u>
Total support, revenue, and gains	<u>6,376,315</u>	<u>(524,938)</u>	<u>5,851,377</u>
Expenses			
Program services expenses			
Youth services	820,474	-	820,474
Senior services	1,938,339	-	1,938,339
Basic needs	1,941,960	-	1,941,960
Express Bike	228,982	-	228,982
Total program services expenses	<u>4,929,755</u>	<u>-</u>	<u>4,929,755</u>
Supporting services expenses			
Management and general	932,430	-	932,430
Fundraising	208,359	-	208,359
Total supporting services expenses	<u>1,140,789</u>	<u>-</u>	<u>1,140,789</u>
Total expenses	<u>6,070,544</u>	<u>-</u>	<u>6,070,544</u>
Change in Net Assets	305,771	(524,938)	(219,167)
Net Assets, Beginning of Year	<u>2,547,506</u>	<u>607,999</u>	<u>3,155,505</u>
Net Assets, End of Year	<u>\$ 2,853,277</u>	<u>\$ 83,061</u>	<u>\$ 2,936,338</u>

Keystone Community Services and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 169,225	\$ (218,885)
Adjustments to reconcile changes in net assets to net cash from (used for) operating activities		
Depreciation	73,257	70,283
Bad debt	6,467	831
Realized and unrealized (gains) losses on investments	(116,667)	(108,299)
Changes in operating assets and liabilities		
Fees for service contracts receivable	(2,292)	(143,219)
Prepaid expenses	(27,074)	21,338
Inventory	(50,490)	-
Accounts payable	(3,545)	28,434
Accrued vacation and payroll tax	(13,482)	(15,869)
Accrued payroll and payroll tax	(8,072)	823
Deferred revenue	27,095	-
Net Cash from (used for) Operating Activities	54,422	(364,563)
Cash Flows from Investing Activities		
Purchases of property and equipment	(136,714)	(11,299)
Purchases of investments, including reinvested income	(526,148)	(44,979)
Proceeds from the sale of investments	877,740	351,519
Net Cash from Investing Activities	214,878	295,241
Net Cash from (used for) Financing Activities		
Net borrowings (repayments) on line of credit	(137,971)	150,828
Net Change in Cash and Cash Equivalents	131,329	81,506
Cash and Cash Equivalents, Beginning of Year	362,112	280,606
Cash and Cash Equivalents, End of Year	\$ 493,441	\$ 362,112
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 9,739	\$ 22,150

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Keystone Community Services and its subsidiary, Urban Business Adventures (collectively, the Organization), are not-for-profit organizations. Urban Business Adventures (UBA) is a separate not-for-profit organization organized solely to offer youth employment services to Saint Paul youth. UBA is governed by a separate Board of Directors, all of which are appointed by the Organization's Board of Directors.

The mission of the Organization is to strengthen the capacity of individuals and families to improve their quality of life. The Organization provides human services in the areas of basic needs, youth programs, and senior services in Ramsey County.

Programs

Keystone supports residents primarily in Saint Paul and Ramsey County, offering services at seven community locations in Saint Paul and Roseville. Program areas include:

- **Keystone Community Programs** are offered at two multi-service centers, West 7th Community Center and Merriam Park Community Center, and include programs that annually serve over 6,500 neighbors of all ages and backgrounds. Activities offered for the community include an annual community spaghetti dinner, family fun activities, Fare for All, tax assistance, and free legal clinics.
- **Keystone Basic Needs Programs** help over 26,000 Saint Paul and Roseville individuals and families meet their needs for emergency food support and other social services each year. Keystone operates three food shelves—Midway, Rice Street, and Roseville—as well as a roving Foodmobile and summer Free Farmer's Market produce distributions. We also offer crisis assistance, case management, and referrals.
- **Keystone Youth Development Programs** help over 350 Saint Paul youth succeed at school and in careers. We operate the Community Kids after-school program at West 7th Community Center for 75 youth in grades K-11, a tutoring program at McDonough Community Center that serves 40 children in grades K-5, our youth-directed social enterprise, Express Bike Shop (operated by UBA), and Keystone's Teen Tech Center.
- **Keystone Senior Programs** help 2,500 Saint Paul seniors remain healthy and independent. Keystone offers senior exercise and social programs at two community centers in Saint Paul: Merriam Park and West 7th. We also provide in-home care management, Meals on Wheels, homemaking, and home health aide support to help Saint Paul seniors live safely and independently in their own homes.

Principles of Consolidation

The consolidated financial statements include the accounts of Keystone Community Services (Keystone) and Urban Business Adventures (UBA) because Keystone has both control and an economic interest in UBA. All significant inter-company balances and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organizations are excluded from this definition.

Receivables and Credit Policies

Fee-for-service receivables consist primarily of noninterest-bearing amounts due for services performed. Management determines the allowance for uncollectable fee-for-service receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Fee-for-service receivables are written off when deemed uncollectable. At December 31, 2017 and 2016, the allowance was \$8,000.

Promises to Give

The Organization records unconditional promises to give 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. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2017 and 2016, promises to give and allowance was \$0.

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. Investment return (loss) is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, less investment management fees.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 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 statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are current expenses.

The Organization reviews the carrying values of property and equipment 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 years ended December 31, 2017 and 2016.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time.

The Organization reports contributions restricted by donors as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements. At December 31, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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 are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's 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. The Organization records donated professional services at the respective fair values of the services received.

Functional Allocation of Expenses

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

Income Taxes

Keystone Community Services and Urban Business Adventures are organized as Minnesota nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and have been determined not to be private foundations under Section 509(a)(1). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has 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.

Each entity believes that it 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 entities 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 management to make estimates and assumptions that affect the reported amounts of assets 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 and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses 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 foundations supportive of the Organization's mission. As of December 31, 2017 and 2016, approximately 76% and 78%, respectively, of the Organization's receivables represent amounts due from two and three entities, respectively. Investments are made by diversified investment managers whose performance is monitored by management and the Audit/Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Subsequent Events

Subsequent events were evaluated through June 19, 2018, the date the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosure

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset 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 the Organization can access 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, the Organization develops inputs 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.

A significant portion of the Organization's investment assets are classified within Level 1 because they are comprised of open-end mutual funds and common stocks with readily determinable fair values based on daily redemption values. The Organization invests in certificates of deposit traded in the financial markets. Those certificates of deposit and U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

Keystone Community Services and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

The following tables present assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2017</u>				
Common stock	\$ 692,222	\$ 692,222	\$ -	\$ -
Money market funds	53,598	53,598	-	-
Certificates of deposit	441,157	-	441,157	-
Corporate bonds and notes	52,859	-	52,859	-
Government securities	150,421	-	150,421	-
Mutual funds	538	538	-	-
	<u>\$ 1,390,795</u>	<u>\$ 746,358</u>	<u>\$ 644,437</u>	<u>\$ -</u>
<u>December 31, 2016</u>				
Common stock	\$ 888,261	\$ 888,261	\$ -	\$ -
Money market funds	143,855	143,855	-	-
Certificates of deposit	351,325	-	351,325	-
Corporate bonds and notes	238,912	-	238,912	-
Government securities	3,367	-	3,367	-
	<u>\$ 1,625,720</u>	<u>\$ 1,032,116</u>	<u>\$ 593,604</u>	<u>\$ -</u>

Note 3 - Net Investment Return

Net investment return income consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 38,893	\$ 31,458
Net realized and unrealized gains (loss)	116,667	108,299
	<u>\$ 155,560</u>	<u>\$ 139,757</u>

Note 4 - Property and Equipment

A summary of property and equipment at December 31, 2017 and 2016, follows:

	2017	2016
Equipment	\$ 239,550	\$607,401
Land and buildings	580,000	580,000
Leasehold improvements	532,178	738,515
	1,351,728	1,925,916
Less accumulated depreciation	(445,532)	(1,083,177)
	\$ 906,196	\$ 842,739

Note 5 - Line of Credit

Keystone Community Services has a \$200,000 revolving line of credit with Associated Bank through February 18, 2019. The credit is secured by all assets of the Organization. Borrowings under the line bear interest at the bank's prime rate plus 1%, or a floor of 4.50%. As of December 31, 2017 and 2016, the rate was 4.50%. There was an outstanding balance of \$0 and \$150,000 at December 31, 2017 and 2016, respectively.

UBA has a line of credit arrangement under which it may borrow up to \$250,000 through September 15, 2022, secured by all assets of the Organization. The line of credit carries a variable interest rate based on the bank index rate, with a minimum rate of 5%. As of December 31, 2017 and 2016, the rate was 5%. There was \$42,029 and \$30,000 borrowed on the line of credit at December 31, 2017 and 2016, respectively.

Note 6 - Leases

The Organization leases a vehicle and office equipment under various operating leases, expiring at various dates through 2022.

Future minimum lease payments are as follows:

Years Ending December 31,	Amount
2018	\$ 76,167
2019	44,675
2020	43,100
2021	44,300
2022	3,700
	\$ 211,942

Total lease expense for the years ended December 31, 2017 and 2016, was \$93,955 and \$104,063, respectively.

Note 7 - Facilities

The building used by the Organization for its community and administrative service programs is located at 2000 St. Anthony Avenue, St. Paul, Minnesota. The facility was transferred to the City of St. Paul, reserving to the Organization the free and exclusive occupancy, management, control, use and maintenance, in perpetuity, at a cost of \$1. The building had an approximate cost of \$522,000 at the time of transfer.

Note 8 - Distributions from Endowment

The Organization receives annual distributions from three endowments. One endowment is managed by The St. Paul Foundation and the other endowment is managed by the Minnesota Community Foundation. The St. Paul Foundation had a balance of \$227,318 and \$205,433 at December 31, 2017 and 2016, respectively, and distributed earnings of \$8,052 and \$8,565 for the years ended December 31, 2017 and 2016, respectively. The Minnesota Community Foundation had a balance of \$41,358 and \$37,372 at December 31, 2017 and 2016, respectively, and distributed earnings of \$1,465 and \$1,556 for the years ended December 31, 2017 and 2016, respectively. The Oneida Education Center Fund had a balance of \$97,316 and \$87,947 at December 31, 2017 and 2016, respectively, and distributed earnings of \$3,447 and \$3,660 for the year ended December 31, 2017 and 2016, respectively. The St. Paul Foundation, the Minnesota Community Foundation, and Oneida Education Center Fund have distributed earnings from the endowments to the Organization every year since the endowments were created. The amount to be distributed from a fund is 5.5% of the fund's average market value over the last 16 calendar quarters but not less than 4.5% of the fund's current market value nor more than 6.25% of the current market value, less administrative fees. A spending policy factor is used to convert current market value into 16-quarter average market value.

Note 9 - Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016, consist of the following:

	2017	2016
Youth program	\$ 20,000	\$ 1,500
Community kids	5,000	-
Seniors	11,000	12,750
Seniors - case management	4,688	-
Food shelf and basic needs	44,687	65,811
Social enterprise - tours	5,000	-
Teen tutoring employment	10,000	-
Timing - operational	65,000	3,000
	\$ 165,375	\$ 83,061

Keystone Community Services and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Net assets were released from restrictions as follows during the years ended December 31, 2017 and 2016:

	2017	2016
Youth program	\$ 1,500	\$ 32,500
Family success fund	-	63,497
Crisis monies	-	2,835
Teen tutoring employment	-	15,000
Seniors	12,750	20,481
Food shelf and basic needs	65,811	473,686
Timing - operational	3,000	-
	\$ 83,061	\$ 607,999

Note 10 - Donated Services (Unaudited)

Management estimates donated services for volunteering in many organization programs at approximately \$901,930 and \$877,933 in 2017 and 2016, respectively. These donated services are not recognized in the financial statements as they do not meet criteria prescribed by generally accepted accounting principles.

Note 11 - In-Kind Contributions

In-kind contributions consist of food, bikes, and other products donated by individuals, schools, civic groups, businesses, and churches. The food is used for the Organization's food shelves. The food is valued based on pounds received and an estimate of cost per pound. A total of 333,197 and 494,868 pounds of food were donated for the years ended December 31, 2017 and 2016, respectively. A pound of food was valued at an estimate of \$1.73 and \$1.70 for the years ended December 31, 2017 and 2016. There is a 10% spoilage factor for food donated that is not usable. The bikes are used for the Organization's Youth Development Program, Express Bike Shop.

For the years ended December 31, 2017 and 2016, the following made up total in-kind contributions:

	2017	2016
Food		
333,197 pounds at \$1.73 a pound, 494,868 pounds at \$1.70 a pound, less 10% spoilage	\$ 518,788	\$ 757,148
Bikes	12,180	10,920
Other	72,232	76,245
	\$ 603,200	\$ 844,313

Note 12 - Fees for Services

Fees for services received from governmental contracts and grants are as follows for the years ended December 31, 2017 and 2016:

	2017	2016
State of Minnesota and other third-party payors		
Senior services/case management	\$ 959,765	\$ 690,425
Ramsey County Human Services		
Case management - Senior waived services	32,183	66,650
St. Paul Foundation		
Basic needs	53,865	51,697
Suburban Ramsey Family Collaborative		
Case management - CSW	162,772	224,571
Living Well	31,360	93,374
City of Saint Paul		
Community development block grants	37,506	42,297
City of Saint Paul- MPCC Cost Sharing	31,696	-
Medica		
Case management - Senior Waivered Services	472,920	669,147
	\$ 1,782,067	\$ 1,838,161

Note 13 - Pension Plan

The Organization participates in a multi-employer defined benefit pension plan in which 16 other agencies also participate. Of the approximately 1,400 participants, 6.4% are the Organization's employees. Effective December 31, 2004, the plan froze benefit accruals and, as a result, employees do not earn additional defined benefits for future services. As required by accounting principles generally accepted in the United States of America for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among the participating agencies. The objective in funding the plan is to accumulate sufficient funds to provide for benefits and to achieve full funding to allow for termination of the plan. Because the plan's unfunded projected termination liability exceeds the fair market value of plan assets, continued annual contributions will be required in order to achieve full funding. If any participating agency defaults on their annual contributions, the remaining agencies assume the liability and contributions of the agency in default. Plan assets are invested based on a long-term investment strategy and held approximately 30% in fixed income securities and 70% in equity accounts. The Organization made contributions of \$100,630 and \$110,630 in the years ended December 31, 2017 and 2016, respectively, which is recognized as pension cost.

The following table presents information concerning its participation in the multi-employer defined benefit pension plan:

	2017	2016
Legal name	Twin Cities Nonprofit Partners Pension Plan	Twin Cities Nonprofit Partners Pension Plan
EIN/Plan number	41-1973442/333	41-1973442/333
Plan year end	12/31/2017	12/31/2016
Pension Protection Act percent funded	110%	110%
Contributions by Keystone Community Services	100,630	100,630
Contributions as percent of total contributed	6%	6%
Rehabilitation plan status	N/A	N/A

Note 14 - Employee Benefits

The Organization sponsors a 403(b) plan for eligible employees. All employees are eligible to contribute to the plan, but in order for the employee to be eligible for the Organization match they must be at least 21 years of age and have one year of service with at least 1,000 hours completed work during one plan year. The Organization provides an employer match of 50% of employee contributions up to 4% of the employee's annual salary.

The Organization provides a contribution to the 403(b) thrift plans of vested employees as of December 31, 2004, with ten or more years of service. This is in addition to the employer match of 50% for employee contributions of up to 4% of the employee's annual salary. The Organization contributes 3% of an employee's wages for employees with 10 to 14 years of service, 4% of an employee's wages for employees with 15 to 19 years of service and 8% of an employee's wages for employees with over 20 years of service. Pension expense and 403(b) match for the Organization in 2017 and 2016, was \$37,898 and \$42,484, respectively.

Note 15 - Contingencies

The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies. Management believes that any liability for reimbursement, which may arise as a result of these audits and performance reviews, is not material.



Supplementary Information
December 31, 2017 and 2016

Keystone Community Services and Subsidiary (Urban Business Adventures)



Independent Auditor's Report on Supplementary Information

The Board of Directors
Keystone Community Services and Subsidiary
St. Paul, Minnesota

We have audited the consolidated financial statements of Keystone Community Services and Subsidiary (the Organization) as of and for the years ended December 31, 2017 and 2016. Our report thereon dated June 19, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules on pages 19 to 28 are presented for the purpose of additional analysis and are 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 information has been subjected to the auditing procedures applied in our audits 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 information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
June 19, 2018

Keystone Community Services and Subsidiary
Consolidating Statements of Financial Position
December 31, 2017

	Keystone Community Services	Urban Business Adventures	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 492,731	\$ 710	\$ -	\$ 493,441
Receivables				
Fees for service contracts, net	490,830	-	-	490,830
Prepaid expenses	42,953	-	-	42,953
Inventory	-	50,490	-	50,490
Total current assets	1,026,514	51,200	-	1,077,714
Investments	1,390,795	-	-	1,390,795
Property and Equipment, Net	448,823	457,373	-	906,196
Total assets	\$ 2,866,132	\$ 508,573	\$ -	\$ 3,374,705
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 117,405	\$ 7,975	\$ -	\$ 125,380
Accrued vacation and payroll tax	57,059	-	-	57,059
Accrued payroll and payroll tax	17,297	-	-	17,297
Deferred revenue	27,095	-	-	27,095
Total current liabilities	218,856	7,975	-	226,831
Noncurrent Liabilities				
Line of credit	-	42,029	-	42,029
Total liabilities	218,856	50,004	-	268,860
Net Assets				
Unrestricted	2,481,901	458,569	-	2,940,470
Temporarily restricted	165,375	-	-	165,375
Total net assets	2,647,276	458,569	-	3,105,845
Total liabilities and net assets	\$ 2,866,132	\$ 508,573	\$ -	\$ 3,374,705

Keystone Community Services and Subsidiary
Consolidating Statements of Financial Position
December 31, 2016

	Keystone Community Services	Urban Business Adventures	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 359,282	\$ 2,830	\$ -	\$ 362,112
Receivables				
Fees for service contracts, net	495,005	-	-	495,005
Prepaid expenses	15,879	-	-	15,879
Total current assets	870,166	2,830	-	872,996
Investments	1,625,720	-	-	1,625,720
Property and Equipment, Net	357,202	485,537	-	842,739
Total assets	<u>\$ 2,853,088</u>	<u>\$ 488,367</u>	<u>\$ -</u>	<u>\$ 3,341,455</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 128,168	\$ 757	\$ -	\$ 128,925
Accrued vacation and payroll tax	70,541	-	-	70,541
Accrued payroll and payroll tax	25,369	-	-	25,369
Total current liabilities	224,078	757	-	224,835
Noncurrent Liabilities				
Line of credit	150,000	30,000	-	180,000
Total liabilities	374,078	30,757	-	404,835
Net Assets				
Unrestricted	2,395,949	457,610	-	2,853,559
Temporarily restricted	83,061	-	-	83,061
Total net assets	2,479,010	457,610	-	2,936,620
Total liabilities and net assets	<u>\$ 2,853,088</u>	<u>\$ 488,367</u>	<u>\$ -</u>	<u>\$ 3,341,455</u>

Keystone Community Services and Subsidiary
Consolidating Statements of Activities
Year Ended December 31, 2017

	Keystone Community Services			Urban Business Adventures			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Support, Revenue, and Gains								
Contributions and grants	\$ 1,448,032	\$ 165,375	\$ 1,613,407	\$ 650	\$ -	\$ 650	\$ -	\$ 1,614,057
In-kind contributions	591,020	-	591,020	12,180	-	12,180	-	603,200
Greater Twin Cities								
United Way	525,326	-	525,326	-	-	-	-	525,326
Governmental contracts and grants	1,782,067	-	1,782,067	-	-	-	-	1,782,067
Express Bike sales								
Bike sales	-	-	-	274,985	-	274,985	-	274,985
Less cost of goods sold	-	-	-	(51,266)	-	(51,266)	-	(51,266)
Net shop sales	-	-	-	223,719	-	223,719	-	223,719
Program services fees	68,764	-	68,764	-	-	-	-	68,764
Food sales	597,286	-	597,286	-	-	-	-	597,286
Tours sales	166,652	-	166,652	-	-	-	-	166,652
Net investment return	155,560	-	155,560	-	-	-	-	155,560
Miscellaneous	9,243	-	9,243	3,953	-	3,953	-	13,196
Net assets released from restrictions	83,061	(83,061)	-	-	-	-	-	-
Total support, revenue, and gains	5,427,011	82,314	5,509,325	240,502	-	240,502	-	5,749,827
Expenses								
Program services expenses								
Youth services	812,783	-	812,783	-	-	-	-	812,783
Senior services	1,880,287	-	1,880,287	-	-	-	-	1,880,287
Basic needs	1,590,765	-	1,590,765	-	-	-	-	1,590,765
Express Bike	-	-	-	233,436	-	233,436	-	233,436
Total program services expenses	4,283,835	-	4,283,835	233,436	-	233,436	-	4,517,271
Supporting services expenses								
Management and general	811,906	-	811,906	4,653	-	4,653	-	816,559
Fundraising	245,318	-	245,318	1,454	-	1,454	-	246,772
Total supporting services expenses	1,057,224	-	1,057,224	6,107	-	6,107	-	1,063,331
Total expenses	5,341,059	-	5,341,059	239,543	-	239,543	-	5,580,602

Keystone Community Services and Subsidiary
Consolidating Statements of Activities
Year Ended December 31, 2017

	Keystone Community Services			Urban Business Adventures			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Change in Net Assets	\$ 85,952	\$ 82,314	\$ 168,266	\$ 959	\$ -	\$ 959	\$ -	\$ 169,225
Net Assets, Beginning of Year	2,395,949	83,061	2,479,010	457,610	-	457,610	-	2,936,620
Net Assets, End of Year	<u>\$ 2,481,901</u>	<u>\$ 165,375</u>	<u>\$ 2,647,276</u>	<u>\$ 458,569</u>	<u>\$ -</u>	<u>\$ 458,569</u>	<u>\$ -</u>	<u>\$ 3,105,845</u>

Keystone Community Services and Subsidiary
Consolidating Statements of Activities
Year Ended December 31, 2016

	Keystone Community Services			Urban Business Adventures			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Support, Revenue, and Gains								
Contributions and grants	\$ 1,079,903	\$ 83,061	\$ 1,162,964	\$ 8,518	\$ -	\$ 8,518	\$ -	\$ 1,171,482
In-kind contributions	833,393	-	833,393	10,920	-	10,920	-	844,313
Greater Twin Cities United Way	766,226	-	766,226	-	-	-	-	766,226
Governmental contracts and grants	1,838,161	-	1,838,161	-	-	-	-	1,838,161
Express Bike sales								
Bike sales	-	-	-	280,816	-	280,816	-	280,816
Less cost of goods sold	-	-	-	(92,646)	-	(92,646)	-	(92,646)
Net shop sales	-	-	-	188,170	-	188,170	-	188,170
Program services fees	84,535	-	84,535	-	-	-	-	84,535
Food sales	560,807	-	560,807	-	-	-	-	560,807
Tour sales	233,228	-	233,228	-	-	-	-	233,228
Net investment return	139,757	-	139,757	-	-	-	-	139,757
Miscellaneous	24,698	-	24,698	19,215	-	19,215	(19,215)	24,698
Net assets released from restrictions	607,999	(607,999)	-	-	-	-	-	-
Total support, revenue, and gains	6,168,707	(524,938)	5,643,769	226,823	-	226,823	(19,215)	5,851,377
Expenses								
Program services expenses								
Youth services	839,407	-	839,407	-	-	-	(19,215)	820,192
Senior services	1,938,339	-	1,938,339	-	-	-	-	1,938,339
Basic needs	1,941,960	-	1,941,960	-	-	-	-	1,941,960
Express Bike	-	-	-	228,982	-	228,982	-	228,982
Total program services expenses	4,719,706	-	4,719,706	228,982	-	228,982	(19,215)	4,929,473
Supporting services expenses								
Management and general	927,265	-	927,265	5,165	-	5,165	-	932,430
Fundraising	206,647	-	206,647	1,712	-	1,712	-	208,359
Total supporting services expenses	1,133,912	-	1,133,912	6,877	-	6,877	-	1,140,789
Total expenses	5,853,618	-	5,853,618	235,859	-	235,859	(19,215)	6,070,262

Keystone Community Services and Subsidiary
 Consolidating Statements of Activities
 Year Ended December 31, 2016

	Keystone Community Services			Urban Business Adventures			Eliminations	Consolidated
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Change in Net Assets	\$ 315,089	\$ (524,938)	\$ (209,849)	\$ (9,036)	\$ -	\$ (9,036)	\$ -	\$ (218,885)
Net Assets, Beginning of Year	2,080,860	607,999	2,688,859	466,646	-	466,646	-	3,155,505
Net Assets, End of Year	<u>\$ 2,395,949</u>	<u>\$ 83,061</u>	<u>\$ 2,479,010</u>	<u>\$ 457,610</u>	<u>\$ -</u>	<u>\$ 457,610</u>	<u>\$ -</u>	<u>\$ 2,936,620</u>

Keystone Community Services and Subsidiary
Unconsolidated Keystone Community Services Statements of Functional Expenses
Year Ended December 31, 2017

	Program Services				Supporting Services			Total Expenses
	Youth Services	Basic Needs	Senior Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 460,902	\$ 435,595	\$ 1,099,889	\$ 1,996,386	\$ 434,716	\$ 71,295	\$ 506,011	\$ 2,502,397
Employee Health, Retirement Benefits, and Disability Insurance	84,140	82,319	167,098	333,557	76,673	15,360	92,033	425,590
Payroll Taxes and Workers' Compensation Insurance	42,478	40,222	101,034	183,734	40,179	6,558	46,737	230,471
Professional Fees and Contract Service	38,495	10,091	56,919	105,505	110,441	56,910	167,351	272,856
Supplies	33,315	17,276	23,479	74,070	29,613	29,820	59,433	133,503
Food Costs	26,499	183,156	174,843	384,498	65	-	65	384,563
In-kind Food Costs	40,000	518,788	-	558,788	-	31,882	31,882	590,670
Telephone	5,674	7,822	10,049	23,545	7,369	1,156	8,525	32,070
Postage and Shipping	289	510	3,934	4,733	2,466	5,368	7,834	12,567
Occupancy	23,580	130,521	47,703	201,804	42,925	367	43,292	245,096
Equipment Rentals and Maintenance	9,141	21,524	6,690	37,355	17,187	9	17,196	54,551
Staff/Volunteer Recruitment	601	2,076	1,057	3,734	75	-	75	3,809
Outside Printing, Artwork, Etc.	230	1,690	14,885	16,805	7,361	18,740	26,101	42,906
Local Transportation	20,848	18,547	26,749	66,144	1,092	121	1,213	67,357
Conferences, Meetings	10,043	1,527	3,708	15,278	10,049	1,746	11,795	27,073
Tours	-	-	99,296	99,296	-	-	-	99,296
Client Assistance	5,303	90,292	964	96,559	-	-	-	96,559
Organization Dues	2,958	11,086	14,737	28,781	13,776	4,170	17,946	46,727
Miscellaneous	621	4,195	9,667	14,483	11,606	1,816	13,422	27,905
Depreciation	7,666	13,528	17,586	38,780	6,313	-	6,313	45,093
Total expenses	\$ 812,783	\$ 1,590,765	\$ 1,880,287	\$ 4,283,835	\$ 811,906	\$ 245,318	\$ 1,057,224	\$ 5,341,059

Keystone Community Services and Subsidiary
Unconsolidated Keystone Community Services Statements of Functional Expenses
Year Ended December 31, 2016

	Program Services				Supporting Services			Total Expenses
	Youth Services	Basic Needs	Senior Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 537,640	\$ 539,757	\$ 1,084,901	\$ 2,162,298	\$ 426,353	\$ 88,893	\$ 515,246	\$ 2,677,544
Employee Health, Retirement Benefits, and Disability Insurance	70,384	94,146	154,420	318,950	48,020	16,337	64,357	383,307
Payroll Taxes and Workers' Compensation Insurance	51,969	54,227	104,975	211,171	39,384	9,389	48,773	259,944
Professional Fees and Contract Service	29,820	16,673	73,850	120,343	176,427	45,569	221,996	342,339
Supplies	22,111	15,107	35,301	72,519	21,649	20,855	42,504	115,023
Food Costs	31,304	159,691	186,829	377,824	4,050	894	4,944	382,768
In-kind Food Costs	-	757,148	-	757,148	76,245	-	76,245	833,393
Telephone	3,158	10,320	13,315	26,793	6,202	1,207	7,409	34,202
Postage and Shipping	535	807	4,391	5,733	3,086	4,148	7,234	12,967
Occupancy	27,098	128,378	75,627	231,103	33,646	1,011	34,657	265,760
Equipment Rentals and Maintenance	3,370	35,190	5,007	43,567	14,624	33	14,657	58,224
Staff/Volunteer Recruitment	825	2,206	984	4,015	200	10	210	4,225
Outside Printing, Artwork, Etc.	1,967	311	7,399	9,677	32,953	10,481	43,434	53,111
Local Transportation	21,229	22,849	29,402	73,480	5,080	268	5,348	78,828
Conferences, Meetings	4,838	1,815	2,589	9,242	14,416	4,181	18,597	27,839
Client Assistance	-	-	130,035	130,035	-	-	-	130,035
Organization Dues	3,817	87,397	475	91,689	-	-	-	91,689
Depreciation	3,207	1,735	2,265	7,207	7,180	275	7,455	14,662
Investment Manager Fees	18,996	1,604	10,195	30,795	11,871	3,096	14,967	45,762
Bad Debt	7,139	12,599	16,379	36,117	5,879	-	5,879	41,996
Total expenses	\$ 839,407	\$ 1,941,960	\$ 1,938,339	\$ 4,719,706	\$ 927,265	\$ 206,647	\$ 1,133,912	\$ 5,853,618

Keystone Community Services and Subsidiary
Unconsolidated UBA Statements of Functional Expenses
Year Ended December 31, 2017

	Express Bike	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries and Benefits	\$ 126,491	\$ 2,067	\$ 646	\$ 2,713	\$ 129,204
Professional Fees and Contract Service Payments	5,215	85	27	112	5,327
Supplies	53,618	876	274	1,150	54,768
Youth Apprenticeships	18,533	303	95	398	18,931
Interest Expense	1,348	22	7	29	1,377
Telephone	879	14	4	18	897
Internet	4,607	75	24	99	4,706
Occupancy	19,772	323	101	424	20,196
Equipment Rentals and Maintenance	3,784	62	19	81	3,865
Printing and Licenses	1,394	23	7	30	1,424
Bank, Credit Card Fees	6,918	113	35	148	7,066
Conferences, Conventions, Meetings and Major Trips	2,182	36	11	47	2,229
In-kind Expenses	11,924	195	61	256	12,180
Dues and Subscriptions	465	8	2	10	475
Depreciation	27,572	451	141	592	28,164
Total Expenses by Function	284,702	4,653	1,454	6,107	290,809
Less Expenses Included With Revenues on the Statement of Activities					
Shop cost of goods sold	(51,266)	-	-	-	(51,266)
Total expenses included in the expense section on the statement of activities	\$ 233,436	\$ 4,653	\$ 1,454	\$ 6,107	\$ 239,543

Keystone Community Services and Subsidiary
Unconsolidated UBA Statements of Functional Expenses
Year Ended December 31, 2016

	Express Bike	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries and Benefits	\$ 135,070	\$ 2,161	\$ 716	\$ 2,877	\$ 137,947
Professional Fees and Contract Service Payments	3,867	62	21	83	3,950
Supplies	96,959	1,551	514	2,065	99,024
Youth Apprenticeships	29,098	466	154	620	29,718
Interest Expense	1,278	20	7	27	1,305
Telephone	1,522	24	8	32	1,554
Postage and Shipping	194	3	1	4	198
Occupancy	12,868	206	68	274	13,142
Equipment Rentals and Maintenance	6,220	100	33	133	6,353
Printing and Licenses	641	14	5	19	660
Bank, Credit Card Fees	5,969	91	30	121	6,090
Conferences, Conventions, Meetings and Major Trips	269	6	2	8	277
Depreciation	27,673	461	153	614	28,287
Total Expenses by Function	321,628	5,165	1,712	6,877	328,505
Less Expenses Included With Revenues on the Statement of Activities					
Shop cost of goods sold	(92,646)	-	-	-	(92,646)
Total expenses included in the expense section on the statement of activities	\$ 228,982	\$ 5,165	\$ 1,712	\$ 6,877	\$ 235,859