

# Consolidated Financial Statements

## Keystone Community Services and Subsidiary (Urban Business Adventures) Saint Paul, Minnesota

For the Years Ended  
December 31, 2018 and 2017

Keystone Community Services  
Table of Contents  
December 31, 2018 and 2017

	<u>Page No.</u>
<b>Independent Auditor's Report</b>	3
<b>Financial Statements</b>	
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities	6
Statements of Functional Expenses	10
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Keystone Community Services  
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of Keystone Community Services, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 and the related consolidated 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 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 the 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 audit. We conducted our audit 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 of material misstatement.

An audit includes 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 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 Keystone Community Services as of December 31, 2018, and the changes in net assets and their cash flows

### **Prior Period Financial Statements**

The financial statements of the Organization as of December 31, 2017 were audited by other auditors whose report dated June 19, 2018 expressed an unmodified opinion on those statements.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 12, 2019

## CONSOLIDATED FINANCIAL STATEMENTS

Keystone Community Services  
Consolidated Statement of Financial Position  
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 143,342	\$ 493,441
Accounts receivable, net of allowance for doubtful accounts of \$8,000 for 2018 and 2017	529,378	490,830
Inventory	50,490	50,490
Prepaid expenses and other current assets	45,026	42,953
Total Current Assets	768,236	1,077,714
Noncurrent Assets		
Investments	1,331,214	1,390,795
Property and Equipment, Net	932,058	906,196
Total Noncurrent Assets	2,263,272	2,296,991
 Total Assets	\$ 3,031,508	\$ 3,374,705
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 114,613	\$ 125,380
Accrued payroll expenses	17,272	17,297
Accrued vacation	55,686	57,059
Deferred revenue	-	27,095
Total Current Liabilities	187,571	226,831
Noncurrent Liabilities		
Line of credit	79,503	42,029
Total Liabilities	267,074	268,860
Net Assets		
Without donor restriction	2,640,059	2,940,470
With donor restriction	124,375	165,375
Total Net Assets	2,764,434	3,105,845
 Total Liabilities and Net Assets	\$ 3,031,508	\$ 3,374,705

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Keystone Community Services  
Consolidated Statement of Activities  
For the Year Ended December 31, 2018

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions and grants	\$ 1,367,954	\$ 124,375	\$ 1,492,329
In-kind contributions	331,445	-	331,445
Greater Twin Cities United Way	378,650	-	378,650
Government contracts and grants	2,199,542	-	2,199,542
Total Support	<u>4,277,591</u>	<u>124,375</u>	<u>4,401,966</u>
Revenue			
Program service fees	110,787	-	110,787
Food sales	179,691	-	179,691
Tours sales	158,758	-	158,758
Express Bike sales			
Bike shop sales	270,083	-	270,083
Cost of good sold	(68,938)	-	(68,938)
Other revenue			
Investment income (loss), net	(43,873)	-	(43,873)
Miscellaneous revenue	7,913	-	7,913
Total Revenue	<u>614,421</u>	<u>-</u>	<u>614,421</u>
Net Assets Released From Restrictions	<u>165,375</u>	<u>(165,375)</u>	<u>-</u>
Total Support and Revenue	<u>5,057,387</u>	<u>(41,000)</u>	<u>5,016,387</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Keystone Community Services  
Consolidated Statement of Activities (Continued)  
For the Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Expenses			
Program Services			
Youth Services	\$ 786,921	\$ -	\$ 786,921
Senior Services	1,915,054	-	1,915,054
Basic Needs	1,308,028	-	1,308,028
Express Bike	281,178	-	281,178
Total Program Services	<u>4,291,181</u>	<u>-</u>	<u>4,291,181</u>
Supporting Services			
Management and general	764,455	-	764,455
Fundraising	302,162	-	302,162
Total Supporting Services	<u>1,066,617</u>	<u>-</u>	<u>1,066,617</u>
Total Expenses	<u>5,357,798</u>	<u>-</u>	<u>5,357,798</u>
Change In Net Assets	(300,411)	(41,000)	(341,411)
Net Assets, Beginning of the Year	<u>2,940,470</u>	<u>165,375</u>	<u>3,105,845</u>
Net Assets, End of the Year	<u>\$ 2,640,059</u>	<u>\$ 124,375</u>	<u>\$ 2,764,434</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Keystone Community Services  
Consolidated Statement of Activities  
For the Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
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
Government contracts and grants	2,098,683	-	2,098,683
Total Support	4,675,891	165,375	4,841,266
Revenue			
Program service fees	139,305	-	139,305
Food sales	210,129	-	210,129
Tours sales	166,002	-	166,002
Express Bike sales			
Bike shop sales	274,985	-	274,985
Cost of good sold	(51,266)	-	(51,266)
Other revenue			
Investment income (loss), net	155,560	-	155,560
Miscellaneous revenue	14,189	-	14,189
Total Revenue	908,904	-	908,904
Net Assets Released From Restrictions	83,061	(83,061)	-
Total Support and Revenue	5,667,856	82,314	5,750,170

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.



Keystone Community Services  
Consolidated Statement of Activities (Continued)  
For the Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
Expenses			
Program Services			
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	4,517,271	-	4,517,271
Supporting Services			
Management and general	816,559	-	816,559
Fundraising	246,772	-	246,772
Total Supporting Services	1,063,331	-	1,063,331
Total Expenses	5,580,602	-	5,580,602
Change In Net Assets	86,911	82,314	169,225
Net Assets, Beginning of the Year	2,853,559	83,061	2,936,620
Net Assets, End of the Year	\$ 2,940,470	\$ 165,375	\$ 3,105,845

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**Keystone Community Services**  
Unconsolidated Keystone Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services				Supporting Services			Total Expenses
	Youth Services	Basic Needs	Senior Services	Total Program	General & Administrative	Fundraising	Total Support	
<b>Personnel Expenses</b>								
Salaries	\$ 442,303	\$ 406,280	\$ 1,196,492	\$ 2,045,075	\$ 408,355	\$ 109,618	\$ 517,973	\$ 2,563,048
Payroll taxes	37,689	34,791	102,194	174,674	34,922	9,396	44,318	218,992
Employee benefits	76,007	77,309	153,863	307,179	63,412	18,485	81,897	389,076
<b>Total Personnel Expenses</b>	<b>555,999</b>	<b>518,380</b>	<b>1,452,549</b>	<b>2,526,928</b>	<b>506,689</b>	<b>137,499</b>	<b>644,188</b>	<b>3,171,116</b>
<b>Expenses</b>								
Professional fees/contracted services	44,896	13,434	40,386	98,716	109,752	44,099	153,851	252,567
Contracted services - tours	-	-	82,339	82,339	-	-	-	82,339
Supplies	37,651	14,085	37,350	89,086	35,700	35,481	71,181	160,267
Food except In-kind	25,168	153,653	142,678	321,499	26	-	26	321,525
In-kind donations	10,084	271,940	-	282,024	-	35,801	35,801	317,825
Client assistance	5,000	112,988	735	118,723	-	-	-	118,723
Transportation	22,413	16,043	27,131	65,587	192	40	232	65,819
Telephone	4,909	7,339	6,946	19,194	3,579	925	4,504	23,698
Occupancy	24,309	137,090	42,412	203,811	38,141	2,643	40,784	244,595
Equipment rental & maintenance	3,260	9,862	2,173	15,295	9,887	-	9,887	25,182
Postage & shipping	535	478	3,452	4,465	2,938	7,853	10,791	15,256
Outside printing	1,287	3,446	10,295	15,028	7,572	26,050	33,622	48,650
Recruitment	1,070	2,162	832	4,064	336	-	336	4,400
Conference & staff training	7,895	2,168	5,692	15,755	12,059	1,065	13,124	28,879
Organization dues & subscriptions	2,530	14,316	38,866	55,712	17,858	7,311	25,169	80,881
Miscellaneous expense	16,460	4,950	7,104	28,514	8,583	317	8,900	37,414
<b>Total Expenses Before Depreciation</b>	<b>763,466</b>	<b>1,282,334</b>	<b>1,900,940</b>	<b>3,946,740</b>	<b>753,312</b>	<b>299,084</b>	<b>1,052,396</b>	<b>4,999,136</b>
<b>Depreciation</b>	<b>23,455</b>	<b>25,694</b>	<b>14,114</b>	<b>63,263</b>	<b>5,421</b>	<b>1,290</b>	<b>6,711</b>	<b>69,974</b>
<b>Total Expenses</b>	<b>\$ 786,921</b>	<b>\$ 1,308,028</b>	<b>\$ 1,915,054</b>	<b>\$ 4,010,003</b>	<b>\$ 758,733</b>	<b>\$ 300,374</b>	<b>\$ 1,059,107</b>	<b>\$ 5,069,110</b>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**Keystone Community Services**  
Unconsolidated UBA Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Information for the Year Ended December 31, 2017)

	2018				2017	
	Program	Supporting Services			Total Expenses	Total Expenses
	Express Bike	Management and General	Fundraising	Total Support		
Salaries/benefits	\$ 143,514	\$ 2,345	\$ 733	\$ 3,078	\$ 146,592	\$ 129,204
Youth apprenticeships	53,575	875	274	1,149	54,724	18,931
Bank/credit card fees	6,113	100	31	131	6,244	7,066
Outside personnel	451	8	2	10	461	5,327
Supplies	69,758	1,140	356	1,496	71,254	54,768
Telephone expense	590	10	3	13	603	897
Occupancy expense	22,112	361	113	474	22,586	20,196
Equipment rental	1,291	21	7	28	1,319	3,865
Printing & licenses	396	6	2	8	404	1,424
Meetings, education, & conferences	3,215	53	16	69	3,284	2,229
Interest expense	2,269	37	12	49	2,318	1,377
In-kind expenses	13,334	218	68	286	13,620	12,180
Internet/IT expense	7,123	117	37	154	7,277	4,706
Dues & subscriptions	440	7	2	9	449	475
Depreciation	25,935	424	132	556	26,491	28,164
Total Expenses by Function	<u>350,116</u>	<u>5,722</u>	<u>1,788</u>	<u>7,510</u>	<u>357,626</u>	<u>290,809</u>
Less Expenses Included with Revenues on the Statement of Activities:						
Shop Cost of Goods Sold	<u>68,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,938</u>	<u>51,266</u>
Total Expenses	<u>\$ 281,178</u>	<u>\$ 5,722</u>	<u>\$ 1,788</u>	<u>\$ 7,510</u>	<u>\$ 288,688</u>	<u>\$ 239,543</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**Keystone Community Services**  
 Unconsolidated Keystone Statement of Functional Expenses  
 For the Year Ended December 31, 2017

	Program Services				Supporting Services			Total Expenses
	Youth Services	Basic Needs	Senior Services	Total Program	General & Administrative	Fundraising	Total Support	
<b>Personnel Expenses</b>								
Salaries	\$ 460,902	\$ 435,595	\$ 1,099,889	\$ 1,996,386	\$ 434,716	\$ 71,295	\$ 506,011	\$ 2,502,397
Payroll taxes	42,478	40,222	101,034	183,734	40,179	6,558	46,737	230,471
Employee benefits	84,140	82,319	167,098	333,557	76,673	15,360	92,033	425,590
<b>Total Personnel Expenses</b>	<b>587,520</b>	<b>558,136</b>	<b>1,368,021</b>	<b>2,513,677</b>	<b>551,568</b>	<b>93,213</b>	<b>644,781</b>	<b>3,158,458</b>
<b>Expenses</b>								
Professional fees /contracted services	38,495	10,091	56,919	105,505	110,441	56,910	167,351	272,856
Contracted services - tours	-	-	99,296	99,296	-	-	-	99,296
Supplies	33,315	17,276	23,479	74,070	29,613	29,820	59,433	133,503
Food except in-kind	26,499	183,156	174,843	384,498	65	-	65	384,563
In-kind donations	40,000	518,788	-	558,788	-	31,882	31,882	590,670
Client assistance	5,303	90,292	964	96,559	-	-	-	96,559
Transportation	20,848	18,547	26,749	66,144	1,092	121	1,213	67,357
Telephone	5,674	7,822	10,049	23,545	7,369	1,156	8,525	32,070
Occupancy	23,580	130,521	47,703	201,804	42,925	367	43,292	245,096
Equipment rental & maintenance	9,141	21,524	6,690	37,355	17,187	9	17,196	54,551
Postage & shipping	289	510	3,934	4,733	2,466	5,368	7,834	12,567
Outside printing	230	1,690	14,885	16,805	7,361	18,740	26,101	42,906
Recruitment	601	2,076	1,057	3,734	75	-	75	3,809
Conference & staff training	10,043	1,527	3,708	15,278	10,049	1,746	11,795	27,073
Organization dues & subscriptions	2,958	11,086	14,737	28,781	13,776	4,170	17,946	46,727
Miscellaneous expense	621	4,195	9,667	14,483	11,606	1,816	13,422	27,905
<b>Total Expenses Before Depreciation</b>	<b>805,117</b>	<b>1,577,237</b>	<b>1,862,701</b>	<b>4,245,055</b>	<b>805,593</b>	<b>245,318</b>	<b>1,050,911</b>	<b>5,295,966</b>
<b>Depreciation</b>	<b>7,666</b>	<b>13,528</b>	<b>17,586</b>	<b>38,780</b>	<b>6,313</b>	<b>-</b>	<b>6,313</b>	<b>45,093</b>
<b>Total Expenses</b>	<b>\$ 812,783</b>	<b>\$ 1,590,765</b>	<b>\$ 1,880,287</b>	<b>\$ 4,283,835</b>	<b>\$ 811,906</b>	<b>\$ 245,318</b>	<b>\$ 1,057,224</b>	<b>\$ 5,341,059</b>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**Keystone Community Services**  
Unconsolidated UBA Statement of Functional Expenses  
For the Year Ended December 31, 2017

	Program	Supporting Services			Total Expenses
	Express Bike	Management and General	Fundraising	Total Support	
Salaries/benefits	\$ 126,491	\$ 2,067	\$ 646	\$ 2,713	\$ 129,204
Youth apprenticeships	18,533	303	95	398	18,931
Professional Fees and Contract Services	5,215	85	27	112	5,327
Bank/credit card fees	6,918	113	35	148	7,066
Supplies	53,618	876	274	1,150	54,768
Telephone expense	879	14	4	18	897
Occupancy expense	19,772	323	101	424	20,196
Equipment rental	3,784	62	19	81	3,865
Printing & licenses	1,394	23	7	30	1,424
Meetings, education, & conferences	2,182	36	11	47	2,229
Interest expense	1,348	22	7	29	1,377
In-kind expenses	11,924	195	61	256	12,180
Internet/IT expense	4,607	75	24	99	4,706
Dues & 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	\$ 233,436	\$ 4,653	\$ 1,454	\$ 6,107	\$ 239,543

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Keystone Community Services  
Consolidated Statement of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (341,411)	\$ 169,225
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	96,465	73,257
Bad debt	5,054	6,467
Net realized and unrealized investment loss (gain)	43,873	(116,667)
Change in assets and liabilities:		
Accounts receivable	(43,602)	(2,292)
Inventory	-	(50,490)
Prepaid expenses and other current assets	(2,073)	(27,074)
Accounts payable	(10,767)	(3,545)
Accrued payroll expenses	(25)	(8,072)
Accrued vacation	(1,373)	(13,482)
Deferred revenue	(27,095)	27,095
Cash Provided (Used) by Operating Activities	(280,954)	54,422
Cash Flows from Investing Activities		
Purchases of property and equipment	(122,327)	(136,714)
Proceeds from sales of investments	1,447,943	877,740
Purchases of investments	(1,432,235)	(526,148)
Net Cash Provided (Used) by Investing Activities	(106,619)	214,878
Cash Flows from Financing Activities		
Borrowing on line of credit	283,000	-
Repayment on line of credit	(245,526)	(137,971)
Net Cash Provided (Used) by Financing Activities	37,474	(137,971)
Change in Cash and Cash Equivalents	(350,099)	131,329
Cash and Cash Equivalents at Beginning of Year	493,441	362,112
Cash and Cash Equivalents at End of Year	\$ 143,342	\$ 493,441
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 6,021	\$ 9,739

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

## Note 1: Summary of Significant Accounting Policies

### A. Organization and Purpose

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.

### B. Principles of Consolidation

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

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **C. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For the year ended December 31, 2018, the Organization adopted ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. This ASU was applied retrospectively for the year ended December 31, 2017.

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

#### Net Assets Without Donor Restrictions

Those resources over which the Organization has discretionary control. Designated amounts represent those revenues that the Board of Directors has set aside for a particular purpose.

#### Net Assets With Donor Restrictions

Those resources subject to donor imposed restrictions, which are satisfied by actions of the Organization or passage of time, or are to be maintained permanently by the Organization.

### **D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all investments purchased with a maturity of three months or less to be cash equivalents.

### **E. Receivables**

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, 2018 and 2017, the allowance was \$8,000.

### **F. 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. Management expects all pledges to be received; there is no allowance for uncollectable amounts as of December 31, 2018 and 2017.

### **G. Inventories**

Inventories, consisting primarily of pedal bikes and bike parts, are stated at lower of cost or net realizable value, with cost determined on a first-in, first-out (FIFO) basis. This inventory is primarily used in the operations of UBA.



## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **H. Investments**

Investments are recorded at cost, or if donated, at fair value on the date of donation based upon quoted market prices, when available, or estimates of fair value. Thereafter, investments are reported at their fair values in the statement of financial position. Investment income or loss and unrealized gains or losses are 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. As of January 1, 2018, the Organization switched investment advisors.

### **I. Property and Equipment**

Property and equipment over \$2,500 are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on 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.

### **J. Revenue Recognition and Deferred Revenue**

Contributions received are recorded as donor-restricted or non-donor-restricted support depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Program fees, merchandise sales and investment income is recognized when it is earned. Fees received for program and other services that have not yet been provided are classified as deferred revenue.

### **K. In-kind Contributions**

The Organization reports gifts of non-cash assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Donated marketable securities are sold when received. These securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation.

### **L. Donated Services**

The Organization has a large and dedicated team of volunteers that perform a variety of tasks that assist the Organization with specific programs and supporting services. These services are not recognized in the financial statements since the criteria for recording the services were not met. Sixteen hundred volunteers supported Keystone services in 2018, donating 34,800 hours valued at \$959,578.

The Organization records donated professional services at the respective fair values of the services received.

### **M. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **N. Allocation of Functional Expenses**

Salaries and related expenses are allocated based on job descriptions and management estimates. Expenses, other than salaries and related payroll expenses, that are not directly identifiable by program or support service, are allocated based on management estimates.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

**O. Tax Status**

Keystone Community Services and Urban Business Adventures are organized as Minnesota nonprofit corporations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05.

Management has evaluated and determined that there are no uncertain tax positions as of December 31, 2018 and 2017. During the years ended December 31, 2018 and 2017, the Organization has not incurred any interest or penalties on its tax returns. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for period of three years after the date on which those returns are filed.

**P. Advertising Costs**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ending December 31, 2018 and 2017 was \$1,762 and \$1,707, respectively.

**Note 2: Property and Equipment**

Property and equipment consist of the following at December 31:

	2018	2017
Equipment	\$ 360,440	\$ 239,550
Land and buildings	580,000	580,000
Leasehold improvements	533,615	532,178
	1,474,055	1,351,728
Less: Accumulated depreciation	(541,997)	(445,532)
Property and equipment, net	\$ 932,058	\$ 906,196

**Note 3: Fair Value Measurements**

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 3: Fair Value Measurements (Continued)**

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Stocks and Fixed Income Bonds:* Valued at the daily closing price of the underlying stocks and bonds. The stocks and bond funds held by the Organization are deemed to be actively traded.

*Amounts Held in Trust:* Valued at the present value of expected receipts for the duration of the trust where stated. Where the trust is perpetual, valuation is the Organization's proportionate share of the fair value of the trust investments as report by the trustee.

The Organization's investments reported at fair value in the accompanying statement of financial position consist of the following:

December 31, 2018	Level 1	Level 2	Level 3
Investments:			
Common stock	\$ 538,081	\$ -	\$ -
Money market funds	433,756	-	-
Corporate bonds and notes	-	220,997	-
Government securities	-	48,870	-
Mutual funds	-	89,509	-
<b>Total Investments</b>	<b>\$ 971,837</b>	<b>\$ 359,376</b>	<b>\$ -</b>
December 31, 2017	Level 1	Level 2	Level 3
Investments:			
Common stock	\$ 692,222	\$ -	\$ -
Money market funds	53,598	-	-
Certificates of deposit	-	441,157	-
Corporate bonds and notes	-	52,859	-
Government securities	-	150,421	-
Mutual funds	538	-	-
<b>Total Investments</b>	<b>\$ 746,358</b>	<b>\$ 644,437</b>	<b>\$ -</b>

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 4: Unemployment Fund**

The Organization has elected to opt out of participation in the Minnesota Unemployment Insurance Program. The Organization is self-insured for unemployment claims through Unemployment Services Trust (UST). Payments to UST are accumulated and used to pay future claims. An expense is recorded as claims are paid by UST. The Organization believes there is no significant liability for claims incurred during the fiscal year ending December 31, 2018.

**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, 2018 and 2017, the rate was 4.50%. There was an outstanding balance of \$0 at December 31, 2018 and 2017.

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, 2018 and 2017, the rate was 5%. There was \$79,503 and \$42,029 borrowed on the line of credit at December 31, 2018 and 2017, respectively.

**Note 6: Restricted Net Assets**

The Organization had the following donor-restricted net assets at December 31, 2018 and 2017:

	2018	2017
Food shelf and basic needs	\$ 62,187	\$ 44,687
Youth program	27,500	20,000
Family success fund	15,000	-
Express Bike	15,000	-
Seniors - case management	4,688	4,688
Community Kids	-	5,000
Seniors	-	11,000
Timing - operational	-	65,000
Teen tutoring employment	-	10,000
Social enterprise - tours	-	5,000
	\$ 124,375	\$ 165,375
Total Donor Restricted Net Assets		

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 6: Restricted Net Assets (Continued)**

Net assets were released from restrictions as follows during the years ended December 31, 2018 and 2017:

	2018	2017
Timing - operational	\$ 65,000	\$ 3,000
Food shelf and basic needs	44,687	65,811
Youth program	20,000	1,500
Seniors	11,000	12,750
Teen tutoring employment	10,000	-
Community kids	5,000	-
Social enterprise - tours	5,000	-
Seniors - case management	4,688	-
	\$ 165,375	\$ 83,061

**Note 7: Distributions from Endowment**

The Organization receives annual distributions from three endowments. These endowments are managed by different foundations and 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.

Endowment fund balances and related distributed earnings for the year ended December 31 are as follows:

	Balance	
	2018	2017
St. Paul Foundation	\$ 206,649	\$ 227,318
Oneida Education Center Fund	88,467	97,316
Minnesota Community Foundation	37,596	41,358
	\$ 332,712	\$ 365,992
	Distributed Earnings	
	2018	2017
St. Paul Foundation	\$ 8,411	\$ 8,052
Oneida Education Center Fund	3,601	3,447
Minnesota Community Foundation	1,530	1,465
	\$ 13,542	\$ 12,964

**Note 8: 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 pound of food was valued at an estimate of \$1.73 for the years ended December 31, 2018 and 2017. 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.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 8: In-Kind Contributions (Continued)**

For the years ended December 31, 2018 and 2017, the following made up total in-kind contributions:

	2018	2017
Food		
167,171 and 333,197 pounds, respectively at 1.73/pound, less 10% spoilage	\$ 260,285	\$ 518,788
Bikes	13,620	12,180
Other	57,540	72,232
Total	\$ 331,445	\$ 603,200

**Note 9: Lease Income**

The Organization leases its property to various organizations and programs. The total lease income for the year ended December 31, 2018 and 2017 was \$33,738 and \$33,142.

As of December 31, 2018, future minimum lease payments to be received over the remaining term of the leases are as follows:

Year ended December 31,	Amount
2019	\$ 32,291
2020	24,030
2021	18,773
2022	19,148
Total	\$ 94,242

**Note 10: Lease Expense**

The Organization leases building space, vehicles, and office equipment under various operating leases, expiring at various dates through 2023. Future minimum lease payments are as follows:

Year ended December 31,	Amount
2019	\$ 88,499
2020	75,604
2021	83,190
2022	4,866
2023	874
Total	\$ 253,033

Total lease expenses for the year ended December 31, 2018 and 2017 were \$103,983 and \$102,355, respectively

**Note 11: Credit Risk**

The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 12: Pension Plan**

Keystone participates in a multiemployer defined benefit pension plan in which 16 other agencies also participate. Of the approximate 1,061 participants, 5.3% are Keystone 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 GAAP for this plan, an employer shall recognize as net pension cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. The funding is determined by the actuary and is allocated based on employee compensation among the participating agencies. The objective in funding in 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. Keystone made contributions of \$85,182 and \$100,630 in the years ended 2018 and 2017, respectively, which is recognized as pension cost.

The following table presents information concerning our participation in the multiemployer defined benefit pension plan:

	2018	2017
	Twin Cities Nonprofit Partners Pension Plan	Twin Cities Nonprofit Partners Pension Plan
Legal Name		
EIN/Plan Number	41-1973442/333	41-1973442/333
Plan Year End	12/31/2018	12/31/2017
Pension Protection Act % Funded	110%	110%
Contributions by Keystone	\$ 85,182.00	\$ 100,630.12
Contributions as a % of Total Contributed	6.29%	6.29%
Rehabilitation Plan Status	NA	NA

**Note 13: Employee Benefit Plans**

The Organization sponsors a 403(b) plan for eligible employees. All employees are eligible to contribute to the plan; however, an employee must be at least over 21 years of age and have one year of service with at least 1,000 hours completed work during one plan year to be eligible for the Organization match. 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 2018 and 2017 was \$29,444 and \$37,898, respectively.

**Note 14: 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.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2018 and 2017

**Note 15: Liquidity**

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 sheet date, comprise the following:

Cash and cash equivalents	\$ 143,342
Accounts receivable	529,378
Investments	1,331,214
Total liquid financial assets	2,003,934
Less: net assets with donor restrictions	(124,375)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,879,559

As part of liquidity management, the organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

**Note 16: Subsequent Events**

Subsequent events were evaluated through June 12, 2019, which is the date the financial statements were available to be issued. In February and March 2019, the Organization entered into two zero-interest loan agreements. The first loan is in the amount of \$20,474, with a term of 37 months resulting in a maturity date of March 21, 2022. The second loan is in the amount of \$4,526, with a term of 29 months resulting in a maturity date of August 6, 2021.

**Note 17: New Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) as a new Topic, Accounting Standards Codification *Topic 606*. The amendments are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 15, 2018, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization for the year ended December 31, 2019. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization for the year ended December 31, 2020. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.