



# Consolidated Financial Statements

## Keystone Community Services

Saint Paul, Minnesota

For the years ended December 31, 2021 and 2020



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Keystone Community Services  
St. Paul, Minnesota

### Opinion

We have audited the accompanying consolidated financial statements of Keystone Community Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keystone Community Services as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Keystone Community Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Other Matters**

#### ***Supplementary Information in Relation to the Consolidated Financial Statements as a Whole***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2022 on our consideration of Keystone Community Services internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Keystone Community Services internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Keystone Community Services internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
June 22, 2022



## CONSOLIDATED FINANCIAL STATEMENTS

Keystone Community Services  
Consolidated Statements of Financial Position  
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,996,820	\$ 1,471,075
Accounts receivable, net of allowance for doubtful accounts of \$8,000 for 2021 and 2020	546,398	305,513
Grants receivable	230,148	142,500
Pledges receivable	71,450	52,000
Inventory	117,465	22,965
Prepaid expenses	35,161	60,912
Total Current Assets	3,997,442	2,054,965
Noncurrent Assets		
Investments	1,875,537	1,670,508
Grants receivable, noncurrent	-	20,000
Pledges receivable, noncurrent	139,800	35,000
Unemployment funds held by others	68,775	55,077
Property and equipment, net	2,768,188	2,982,771
Total Noncurrent Assets	4,852,300	4,763,356
Total Assets	\$ 8,849,742	\$ 6,818,321
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 400,693	\$ 198,924
Accrued payroll expenses	10,754	11,069
Accrued vacation	80,021	100,129
Security deposit	-	5,500
Notes payable, current	30,789	35,760
Total Current Liabilities	522,257	351,382
Noncurrent Liabilities		
Notes payable	1,662,293	1,693,081
Total Liabilities	2,184,550	2,044,463
Net Assets		
Without donor restriction	6,255,586	4,408,377
With donor restriction	409,606	365,481
Total Net Assets	6,665,192	4,773,858
Total Liabilities and Net Assets	\$ 8,849,742	\$ 6,818,321

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, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 3,916,832	\$ 466,781	\$ 4,383,613
In-kind contributions	2,875,362	-	2,875,362
Greater Twin Cities United Way	236,000	-	236,000
Government contracts and grants	574,071	-	574,071
Total Support	<u>7,602,265</u>	<u>466,781</u>	<u>8,069,046</u>
Revenue			
Program service fees	2,038,012	-	2,038,012
Food sales	139,647	-	139,647
Express Bike sales, net of costs of goods sold of \$80,413	189,140	-	189,140
Investment income, net	197,657	-	197,657
Miscellaneous revenue	22,537	-	22,537
Total Revenue	<u>2,586,993</u>	<u>-</u>	<u>2,586,993</u>
Net Assets Released From Restrictions	<u>422,656</u>	<u>(422,656)</u>	<u>-</u>
Total Support and Revenue	<u>10,611,914</u>	<u>44,125</u>	<u>10,656,039</u>
Expenses			
Program Services			
Youth Services	772,763	-	772,763
Senior Services	1,745,585	-	1,745,585
Basic Needs	3,882,612	-	3,882,612
Social Enterprise	8,574	-	8,574
Express Bike	313,312	-	313,312
Total Program Services	<u>6,722,846</u>	<u>-</u>	<u>6,722,846</u>
Supporting Services			
Management and general	884,959	-	884,959
Fundraising	1,156,900	-	1,156,900
Total Supporting Services	<u>2,041,859</u>	<u>-</u>	<u>2,041,859</u>
Total Expenses	<u>8,764,705</u>	<u>-</u>	<u>8,764,705</u>
Change In Net Assets	1,847,209	44,125	1,891,334
Net Assets, Beginning of the Year	<u>4,408,377</u>	<u>365,481</u>	<u>4,773,858</u>
Net Assets, End of the Year	<u>\$ 6,255,586</u>	<u>\$ 409,606</u>	<u>\$ 6,665,192</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, 2020

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 3,008,092	\$ 453,113	\$ 3,461,205
In-kind contributions	2,558,385	-	2,558,385
Greater Twin Cities United Way	236,000	-	236,000
Government contracts and grants	716,689	-	716,689
Paycheck Protection Program grant	499,000	-	499,000
Total Support	<u>7,018,166</u>	<u>453,113</u>	<u>7,471,279</u>
Revenue			
Program service fees	1,777,537	-	1,777,537
Food sales	179,870	-	179,870
Meal distribution	70,005	-	70,005
Express Bike sales, net of costs of goods sold of \$75,846	215,848	-	215,848
Investment income, net	130,100	-	130,100
Miscellaneous revenue	16,296	-	16,296
Total Revenue	<u>2,389,656</u>	<u>-</u>	<u>2,389,656</u>
Net Assets Released From Restrictions	<u>212,824</u>	<u>(212,824)</u>	<u>-</u>
Total Support and Revenue	<u>9,620,646</u>	<u>240,289</u>	<u>9,860,935</u>
Expenses			
Program Services			
Youth Services	610,510	-	610,510
Senior Services	1,832,345	-	1,832,345
Basic Needs	3,365,668	-	3,365,668
Social Enterprise	40,420	-	40,420
Express Bike	332,062	-	332,062
Total Program Services	<u>6,181,005</u>	<u>-</u>	<u>6,181,005</u>
Supporting Services			
Management and general	782,390	-	782,390
Fundraising	706,215	-	706,215
Total Supporting Services	<u>1,488,605</u>	<u>-</u>	<u>1,488,605</u>
Total Expenses	<u>7,669,610</u>	<u>-</u>	<u>7,669,610</u>
Change In Net Assets	1,951,036	240,289	2,191,325
Net Assets, Beginning of the Year	<u>2,457,341</u>	<u>125,192</u>	<u>2,582,533</u>
Net Assets, End of the Year	<u>\$ 4,408,377</u>	<u>\$ 365,481</u>	<u>\$ 4,773,858</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, 2021

	Program Services					Supporting Services			Total Expenses
	Youth Services	Basic Needs	Senior Services	Social Enterprise	Total Program Services	General & Administrative	Fundraising	Total Support Services	
<b>Personnel Expenses</b>									
Salaries	\$ 454,799	\$ 360,633	\$ 1,192,777	\$ -	\$ 2,008,209	\$ 536,712	\$ 244,199	\$ 780,911	\$ 2,789,120
Payroll taxes	37,751	29,720	98,696	-	166,167	54,466	19,942	74,408	240,575
Employee benefits	51,477	39,917	101,344	-	192,738	65,568	22,503	88,071	280,809
<b>Total Personnel Expenses</b>	<b>544,027</b>	<b>430,270</b>	<b>1,392,817</b>	<b>-</b>	<b>2,367,114</b>	<b>656,746</b>	<b>286,644</b>	<b>943,390</b>	<b>3,310,504</b>
<b>Expenses</b>									
Professional fees/contracted services	40,498	5,329	23,102	3,408	72,337	58,058	694,645	752,703	825,040
Supplies	57,951	16,662	8,411	100	83,124	34,981	60,089	95,070	178,194
Food except In-kind	9,585	150,075	142,448	-	302,108	-	-	-	302,108
In-kind donations	-	2,715,084	-	-	2,715,084	-	27,711	27,711	2,742,795
Client assistance	8,015	118,441	600	-	127,056	-	-	-	127,056
Transportation	31,108	11,949	5,124	73	48,254	3,625	364	3,989	52,243
Telephone	6,962	4,996	13,484	354	25,796	4,200	994	5,194	30,990
Occupancy	17,307	155,292	50,561	3,899	227,059	53,240	3,139	56,379	283,438
Equipment rental & maintenance	5,019	4,286	1,918	-	11,223	11,248	-	11,248	22,471
Postage & shipping	612	152	4,215	-	4,979	1,239	7,955	9,194	14,173
Outside printing	872	1,132	1,493	254	3,751	1,616	33,077	34,693	38,444
Recruitment	783	2,245	735	-	3,763	1,087	-	1,087	4,850
Conference & staff training	1,448	612	3,881	-	5,941	11,220	1,598	12,818	18,759
Organization dues & subscriptions	5,203	10,294	56,897	-	72,394	13,478	32,188	45,666	118,060
Miscellaneous	19,305	107,154	15,509	486	142,454	21,845	5,519	27,364	169,818
<b>Total Expenses Before Depreciation</b>	<b>748,695</b>	<b>3,733,973</b>	<b>1,721,195</b>	<b>8,574</b>	<b>6,212,437</b>	<b>872,583</b>	<b>1,153,923</b>	<b>2,026,506</b>	<b>8,238,943</b>
Depreciation	24,068	148,639	24,390	-	197,097	7,677	1,623	9,300	206,397
<b>Total Expenses</b>	<b>\$ 772,763</b>	<b>\$ 3,882,612</b>	<b>\$ 1,745,585</b>	<b>\$ 8,574</b>	<b>\$ 6,409,534</b>	<b>\$ 880,260</b>	<b>\$ 1,155,546</b>	<b>\$ 2,035,806</b>	<b>\$ 8,445,340</b>

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, 2020**

	Program Services				Supporting Services			Total Expenses	
	Youth Services	Basic Needs	Senior Services	Social Enterprise	Total Program Services	General & Administrative	Fundraising		Total Support Services
<b>Personnel Expenses</b>									
Salaries	\$ 370,208	\$ 347,700	\$ 1,217,350	\$ 10,654	\$ 1,945,912	\$ 493,421	\$ 131,791	\$ 625,212	\$ 2,571,124
Payroll taxes	30,141	28,520	99,453	1,676	159,790	40,244	10,820	51,064	210,854
Employee benefits	40,488	36,852	130,346	3,582	211,268	55,234	14,130	69,364	280,632
Total Personnel Expenses	440,837	413,072	1,447,149	15,912	2,316,970	588,899	156,741	745,640	3,062,610
<b>Expenses</b>									
Professional fees /contracted services	31,816	4,565	20,196	2,237	58,814	39,620	425,934	465,554	524,368
Contracted services - tours	-	-	-	12,397	12,397	-	-	-	12,397
Supplies	37,135	16,532	8,839	2,898	65,404	37,064	14,363	51,427	116,831
Food except in-kind	9,705	123,915	127,094	49	260,763	-	-	-	260,763
In-kind donations	-	2,452,646	-	-	2,452,646	-	52,669	52,669	2,505,315
Client assistance	1,500	111,603	2,107	-	115,210	-	-	-	115,210
Transportation	18,128	22,809	5,831	100	46,868	994	188	1,182	48,050
Telephone	3,674	5,337	11,542	361	20,914	3,457	967	4,424	25,338
Occupancy	16,343	145,944	44,198	1,324	207,809	42,384	2,689	45,073	252,882
Equipment rental & maintenance	3,691	7,254	7,413	431	18,789	13,020	-	13,020	31,809
Postage & shipping	308	408	3,725	408	4,849	1,934	6,306	8,240	13,089
Outside printing	228	3,761	543	2,203	6,735	1,650	22,116	23,766	30,501
Recruitment	75	2,043	110	-	2,228	470	-	470	2,698
Conference & staff training	-	910	2,506	-	3,416	2,329	2,483	4,812	8,228
Organization dues & subscriptions	3,080	9,991	61,057	-	74,128	8,394	15,191	23,585	97,713
Bad debt	-	-	69,364	-	69,364	-	-	-	69,364
Miscellaneous	20,233	8,337	3,191	2,100	33,861	30,963	3,574	34,537	68,398
Total Expenses Before Depreciation	586,753	3,329,127	1,814,865	40,420	5,771,165	771,178	703,221	1,474,399	7,245,564
Depreciation	23,757	36,541	17,480	-	77,778	5,789	1,295	7,084	84,862
Total Expenses	<u>\$ 610,510</u>	<u>\$ 3,365,668</u>	<u>\$ 1,832,345</u>	<u>\$ 40,420</u>	<u>\$ 5,848,943</u>	<u>\$ 776,967</u>	<u>\$ 704,516</u>	<u>\$ 1,481,483</u>	<u>\$ 7,330,426</u>

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, 2021

	Program Services	Supporting Services			Total Expenses
	Express Bike	Management and General	Fundraising	Total Support Services	
Personnel Expenses					
Salaries	\$ 176,525	\$ 2,885	\$ 902	\$ 3,787	\$ 180,312
Payroll taxes	12,702	208	65	273	12,975
Employee benefits	18,322	299	94	393	18,715
Total Personnel Expenses	<u>207,549</u>	<u>3,392</u>	<u>1,061</u>	<u>4,453</u>	<u>212,002</u>
Expenses					
Youth apprenticeships				-	-
Professional fees	142	2	1	3	145
Bank & credit card fees	6,149	101	31	132	6,281
Marketing & advertising	98	2	1	3	101
Supplies	940	15	4	19	959
Occupancy	12,725	208	65	273	12,998
Equipment expenses	844	14	5	19	863
Meetings	227	4	1	5	232
Dues & subscriptions	4,534	74	23	97	4,631
Licenses	118	2	1	3	121
In-kind	48,031	-	-	-	48,031
Assessments	728	12	2	14	742
Miscellaneous	1,181	382	6	388	1,569
Total Expenses Before Depreciation	<u>283,266</u>	<u>4,208</u>	<u>1,201</u>	<u>5,409</u>	<u>288,675</u>
Depreciation	<u>30,046</u>	<u>491</u>	<u>153</u>	<u>644</u>	<u>30,690</u>
Total Expenses	<u>\$ 313,312</u>	<u>\$ 4,699</u>	<u>\$ 1,354</u>	<u>\$ 6,053</u>	<u>\$ 319,365</u>

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, 2020**

	Program Services	Supporting Services			Total Expenses
	Express Bike	Management and General	Fundraising	Total Support Services	
Personnel Expenses					
Salaries	\$ 172,794	\$ 2,824	\$ 882	\$ 3,706	\$ 176,500
Payroll taxes	16,567	271	85	356	16,923
Employee benefits	13,219	216	68	284	13,503
Total Personnel Expenses	<u>202,580</u>	<u>3,311</u>	<u>1,035</u>	<u>4,346</u>	<u>206,926</u>
Expenses					
Youth apprenticeships	98	2	1	3	101
Professional fees	127	2	1	3	130
Bank & credit card fees	10,923	179	56	235	11,158
Marketing & advertising	177	3	1	4	181
Supplies	979	16	5	21	1,000
Postage	21	-	-	-	21
Occupancy	24,618	402	126	528	25,146
Equipment rental	1,744	29	9	38	1,782
Printing	98	2	1	3	101
Meetings	108	2	1	3	111
Education & conferences	866	14	4	18	884
Interest	4,133	68	21	89	4,222
Licenses	109	2	1	3	112
In-kind	51,956	849	265	1,114	53,070
Internet & IT	937	15	5	20	957
Miscellaneous	6,196	96	32	128	6,324
Total Expenses Before Depreciation	<u>305,670</u>	<u>4,992</u>	<u>1,564</u>	<u>6,556</u>	<u>312,226</u>
Depreciation	<u>26,392</u>	<u>431</u>	<u>135</u>	<u>566</u>	<u>26,958</u>
Total Expenses	<u>\$ 332,062</u>	<u>\$ 5,423</u>	<u>\$ 1,699</u>	<u>\$ 7,122</u>	<u>\$ 339,184</u>

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

Keystone Community Services  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,891,334	\$ 2,191,325
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	237,087	111,820
Bad debt	-	69,364
Net realized and unrealized investment gain	(150,527)	(92,783)
Change in assets and liabilities:		
Accounts receivable	(240,885)	273,579
Grants receivable	(67,648)	(107,423)
Pledge receivable	(124,250)	(87,000)
Inventory	(94,500)	(2,738)
Prepaid expenses	25,751	(1,398)
Unemployment funds held by others	(13,698)	(55,077)
Accounts payable	201,769	72,872
Accrued payroll expenses	(315)	(13,617)
Accrued vacation	(20,108)	34,262
Security deposit	(5,500)	5,500
Deferred revenue	-	(78,822)
Cash Provided by Operating Activities	1,638,510	2,319,864
Cash Flows from Investing Activities		
Purchases of property and equipment	(22,504)	(2,168,843)
Proceeds from sales of investments	235,313	4,891
Purchases of investments	(289,815)	(28,633)
Net Cash Used by Investing Activities	(77,006)	(2,192,585)
Cash Flows from Financing Activities		
Proceeds from note payable	-	1,425,000
Payments on note payable	(35,759)	(35,144)
Repayment on line of credit	-	(94,503)
Net Cash Provided (Used) by Financing Activities	(35,759)	1,295,353
Change in Cash and Cash Equivalents	1,525,745	1,422,632
Cash and Cash Equivalents at Beginning of Year	1,471,075	48,443
Cash and Cash Equivalents at End of Year	\$ 2,996,820	\$ 1,471,075
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 66,628	\$ 22,092

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

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

## 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 six community locations in Saint Paul. 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 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. In 2021, due to pandemic restrictions, many of the programs offered for the community were canceled or very limited. In 2021, 1,290 neighbors participated in community activities hosted by Keystone. In 2020, 663 people participated and most community programs were closed due to the pandemic.
- **Keystone Basic Needs Programs** helps Saint Paul and Ramsey County individuals and families meet their needs for emergency food support and other social services each year. Keystone operates two food shelves - Midway and Rice Street as well as a roving Food mobile and summer Free Farmer's Market produce distributions. We also offer crisis assistance, case management, and referrals. In 2021, we expanded our grocery delivery program, offered drive through distribution events, and added Food mobile staff and locations to serve 39,399 people. In 2020, Keystone supported 29,470 people.
- **Keystone Youth Development Programs** help Saint Paul youth succeed at school and in careers. We operate the Community Kids after-school program at West 7th Community Center for 127 youth in grades K-11, a tutoring program at McDonough Community Center that serves 44 children in grades K-8, our youth-directed social enterprise, Express Bike Shop (operated by UBA), and Keystone's Best Buy Teen Tech Center. In 2021, 269 youth participated in person or virtually in Keystone youth programs. In 2020, 230 youth participated and programs were closed for 6 weeks due to the pandemic.
- **Keystone Senior Programs** help 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 and health advocacy support to help Ramsey County seniors live safely and independently in their own homes. In 2021, 2,368 seniors participated in Keystone programs. Keystone supported 2,255 seniors with services in 2020 and most of those services were modified significantly and provided mostly virtually due to the pandemic.

### 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, 2021 and 2020

**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.

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. Accounts Receivable**

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, 2021 and 2020, the allowance was \$8,000.

**F. Pledges and Grants Receivable**

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 and grants to be collected; there is no allowance for uncollectable amounts as of December 31, 2021 and 2020.

**G. Inventories**

Inventories, consisting primarily of The Emergency Food Assistance Program (TEFAP) food, 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. TEFAP inventory is used in the operations of Keystone and pedal bikes and bike parts are used in the operations of UBA's Express Bike Shop.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**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.

**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**

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.

**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. Over 1,800 and 2,000 volunteers supported Keystone services in 2021 and 2020, respectively.

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 of employee headcount and square footage.



Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

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

**O. 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, 2021 and 2020 was \$5,050 and \$3,199, respectively.

**P. Tax Status**

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

**Q. Reclassifications**

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

**R. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for the potential recognition or disclosure through June 22, 2022, the date the financial statements were available to be issued.

Following the current year-end, Urban Business Adventures was dissolved as a separate entity and all operations were moved under Keystone Community Services.

**S. Upcoming Accounting Pronouncements**

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition to separate presentation on the statement of activities, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, description of programs or activities in which the assets were used, and if monetized a policy about monetizing rather than utilizing the asset(s). The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

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, 2021, 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 in fiscal year 2022. The Organization is currently evaluating the impact of the results of operations, financial condition and cash flows and has not determined the impact on its consolidated financial statements at this time.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**Note 2: Property and Equipment**

Property and equipment consist of the following at December 31:

	2021	2020
Equipment	\$ 675,082	\$ 662,578
Land and Buildings	2,493,110	2,493,110
Leasehold Improvements	581,175	581,175
Total Property and Equipment	3,749,367	3,736,863
Less: Accumulated Depreciation	(981,179)	(754,092)
Property and Equipment, Net	\$ 2,768,188	\$ 2,982,771

**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.

**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.

*Stock, Exchange Traded Funds and Corporate Bonds and Notes*: 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.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

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

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	\$ 1,075,639	\$ -	\$ -	\$ 1,075,639
Money market funds	270,981	-	-	270,981
Corporate bonds and notes	-	408,779	-	408,779
Exchange traded funds	120,138	-	-	120,138
<b>Total Investments</b>	<b>\$ 1,466,758</b>	<b>\$ 408,779</b>	<b>\$ -</b>	<b>\$ 1,875,537</b>

  

December 31, 2020	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	\$ 848,743	\$ -	\$ -	\$ 848,743
Money market funds	342,716	-	-	342,716
Corporate bonds and notes	-	363,481	-	363,481
Exchange traded funds	115,568	-	-	115,568
<b>Total Investments</b>	<b>\$ 1,307,027</b>	<b>\$ 363,481</b>	<b>\$ -</b>	<b>\$ 1,670,508</b>

**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, 2021.

**Note 5: Line of Credit**

Keystone Community Services has a \$500,000 revolving line of credit with Associated Bank through January 26, 2023. The credit is secured by all assets of the Organization. Borrowings under the line bear interest at the bank's prime rate plus 3.25%, or a floor of 4.15%. There was an outstanding balance of \$0 at December 31, 2021 and 2020.

UBA has a line of credit arrangement under which it may borrow up to \$500,000 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, 2021 and 2020, the rate was 5%. There was \$0 and \$0 borrowed on the line of credit at December 31, 2021 and 2020, respectively.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**Note 6: Notes Payable**

The Organization obtained a note payable to U.S Bank National Association on September 20, 2019 for their pension liability. Prior to 2019, the Organization participated in a multiemployer defined benefit pension plan with 16 other agencies called the Twin Cities Nonprofit Partners Pension Plan. Of the approximately 1,060 participants, 5.3% were Keystone’s employees, and the plan froze benefit accruals starting on December 31, 2004. In September 2019, the agencies voted to shut down the plan. As a result, the obligations to the participants needed to be funded. In order to fulfill this obligation, U.S. Bank was chosen as the banker for a group loan to fulfill the annuities required to satisfy the obligation to participants. The note is due in monthly payments of \$3,360 including interest at 4.36%. The payment schedule reflects a 4-year amortization; all unpaid principal and accrued interest is payable on October 1, 2024 with an option to continue the note for another five-year period with a new interest rate. The note is secured by a \$15,000 collateral deposit made by the Organization at the time of the loan.

Scheduled future principal payments due under the agreement are as follows:

Years Ending December 31,	Amount
2022	\$ 29,129
2023	30,443
2024	206,850
Total	\$ 266,422

The Organization obtained two notes payable to Center for Energy and Environment for a new lighting project. The first note was obtained on February 19, 2019 with monthly payments of \$533.35 including 0% interest. This note is scheduled to mature March 19, 2022. The second note payable was obtained on March 6, 2019 with monthly payments of \$156.08 including 0% interest. This note is matured on October 6, 2021. The payment schedule reflects a 3-year amortization. The remaining note is not secured by assets of the Organization.

Scheduled future principal payments due under the agreement are as follows:

Years Ending December 31,	Amount
2022	\$ 1,660

The Organization obtained a business loan for \$1,425,000, payable to Sunrise Bank for the purchase of a building on December 28, 2020. No principle payments are due until maturity, but interest is payable every month and is charged at a rate of 3.75%. This loan is scheduled to mature on December 28, 2022 at which time the full principle amount and any interest is due.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**Note 7: Restricted Net Assets**

The Organization had the following donor-restricted net assets at December 31, 2021 and 2020:

	2021	2020
Pledges Receivable - Time Restricted	\$ 211,250	\$ 87,000
Food Shelf and Basic Needs	81,639	111,213
Youth Program	40,000	65,000
Teen Tutoring Employment	30,000	-
TTC Renovation	25,000	-
Community Kids & Seniors	15,717	-
Seniors - Case Management	5,000	102,268
General Operations - Time Restricted	1,000	-
Total Donor Restricted Net Assets	\$ 409,606	\$ 365,481

Net assets were released from restrictions as follows during the years ended December 31, 2021 and 2020:

	2021	2020
Food Shelf and Basic Needs	\$ 146,910	\$ 37,824
Youth Program	125,000	115,000
General Operations - Time Restricted	111,463	-
Seniors - Case Management	15,000	35,000
Community Kids & Seniors	14,283	-
Teen Tutoring Employment	10,000	25,000
Total Releases - Restricted Net Assets	\$ 422,656	\$ 212,824

**Note 8: Distributions from Community Endowments**

The Organization receives annual distributions from three endowments. These endowments are managed by Saint Paul and Minnesota Foundation 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 not 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.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**Note 8: Distributions from Endowment (Continued)**

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

	Balance	
	2021	2020
St. Paul Foundation	\$ 269,105	\$ 233,076
Oneida Education Center Fund	115,228	99,801
Minnesota Community Foundation	48,956	42,402
 Total Endowments	 \$ 433,289	 \$ 375,279
	Distributed Earnings	
	2021	2020
St. Paul Foundation	\$ 8,662	\$ 8,671
Oneida Education Center Fund	3,709	3,713
Minnesota Community Foundation	1,576	1,578
 Total Distributions Received	 \$ 13,947	 \$ 13,962

**Note 9: 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 unless directly identifiable. A pound of food was valued at an estimate of \$1.75 and \$1.67 for the years ended December 31, 2021 and 2020, respectively. 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. Bikes are valued at the donors stated value or best estimate of value by bike shop employees at the time they are received.

For the years ended December 31, 2021 and 2020, the Organization had the following in-kind contributions:

	2021	2020
Food	\$ 2,799,620	\$ 2,474,997
Bikes	48,031	53,070
Other	27,711	30,318
 Total	 \$ 2,875,362	 \$ 2,558,385

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**Note 10: Lease Income**

The Organization leases its property to various organizations and programs. The total lease income for the year ended December 31, 2021 and 2020 was \$131,944 and \$64,454, respectively.

As of December 31, 2021, future minimum lease payments to be received of the leases are as follows:

Year Ended December 31,	Amount
2022	\$ 24,945
2023	5,976
Total	\$ 30,921

**Note 11: 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
2022	\$ 88,171
2023	1,120
2024	1
2025	1
Total	\$ 89,293

Total lease expenses for the year ended December 31, 2021 and 2020 were \$108,088 and \$113,729, respectively

**Note 12: 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.

**Note 13: 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 14: COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 and 2021 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2021 and 2020

**Note 15: Liquidity and Availability of Financial Assets**

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:

	2021	2020
Cash and Cash Equivalents	\$ 2,996,820	\$ 1,471,075
Accounts Receivable	546,398	305,513
Grants Receivable	230,148	162,500
Pledges Receivable	211,250	87,000
Investments	1,875,537	1,670,508
Total Financial Assets	5,860,153	3,696,596
Less Financial Assets Unavailable for Current Year Spending due to:		
Net assets with donor restrictions	(268,806)	(202,268)
Grants receivable, noncurrent	-	(20,000)
Pledges receivable, noncurrent	(139,800)	(35,000)
Total Financial Assets Unavailable for Current Year Spending	(408,606)	(257,268)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,451,547	\$ 3,439,328

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



## SUPPLEMENTARY INFORMATION

Keystone Community Services  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021

Federal Grantor/Program Title Pass-Through Grantor/Pass-Through Entity Identifying Number	Federal Domestic Assistance Number	Pass-Through Identification Number	From Pass-Through Awards	From Direct Awards	Total
<b>United States Department of Agriculture:</b>					
Food Distribution Cluster:					
Passed-Through Hunger Solutions Minnesota:					
Child and Adult Care Food Program	10.568	1000004382	\$ 6,589	\$ -	\$ 6,589
Passed-Through Second Harvest Heartland: Emergency Food Assistance Program (Food Commodities)	10.569	GRK%144570	650,634	-	650,634
<i>Total United States Department of Agriculture:</i>			<u>657,223</u>	<u>-</u>	<u>657,223</u>
<b>United States Department of Housing and Urban Development</b>					
Entitlement Grants Cluster:					
Community Development Block Grants/Entitlement Grants	14.218	Direct	-	17,897	17,897
<b>United States Department of Education:</b>					
Passed-Through the Minnesota Department of Education:					
Twenty-First Century Community Learning Centers	84.287	S287C190023	291,760	-	291,760
<b>United States Department of Homeland Security:</b>					
Passed-Through Trellis:					
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	311-22-VAC5- 340	15,000	-	15,000
<b>United States Department of Health and Human Services:</b>					
Passed-Through UnitedHealth Group:					
Provider Relief Fund	93.498	None noted	33,308	-	33,308
<b>Total Federal Expenditures</b>			<u>\$ 997,291</u>	<u>\$ 17,897</u>	<u>\$ 1,015,188</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

Keystone Community Services  
Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2021

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, and *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Pass-Through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended December 31, 2021, the Organization did not elect to use the 10% de minimis indirect cost rate.

**Note 6: Provider Relief Funds**

The provider relief funding amounts were reported in the 2020 schedule of expenditures of federal awards but have been reported in the current year per relevant guidance as a correction.

## OTHER REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Keystone Community Services  
Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Keystone Community Services (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 22, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Abdo". The signature is written in a cursive, slightly slanted style.

**Abdo**  
Minneapolis, Minnesota  
June 22, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Keystone Community Services  
Saint Paul, Minnesota

***Report on the Audit of the Financial Statements***

**Opinion on Each Major Federal Program**

We have audited Keystone Community Service's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.





Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
June 22, 2022



Keystone Community Services  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2021

**Section I - Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

**Federal  
CFDA  
Number**

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Identification of Major Programs:

Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

**Section II - Findings - Financial Statement Audit**

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**Section III - Findings and Questioned Costs - Major Federal Award Programs Audit**

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

**Other Issues**

See the following page for the Summary Schedule of Prior Audit Findings.

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

Keystone Community Services  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2021

**DEPARTMENT OF AGRICULTURE**

**FINDING 2019-001: Significant Deficiency in Internal Controls over Financial Reporting**

*Condition:* This finding noted that adjustments were needed to adjust accounts to correct balances at year end. Significant accounts affected included the in-kind expenses and contributions accounts.

*Recommendation:* The auditor recommended that the Organization review and update its procedures related to in-kind contributions and expenses, to ensure all activity is properly recorded.

*Current Status:* The Organization updated its procedures related to in-kind contributions and expenses to work to ensure all activity was properly recorded. A similar finding was noted in the 2020 audit. However, the misstatements were less significant than in 2019. In 2021, no similar finding was noted during the audit of the financial statements.

**FINDING 2019-002: Significant Deficiency in Internal Controls over Compliance**

*Condition:* This finding noted that a significant number of Income Eligibility Verification (IEV) forms could not be located.

*Recommendation:* The auditor recommended that the Organization implement devices to allow for electronic signatures on the IEV forms and connect these electronic forms to each individual within the Organization's database.

*Current Status:* See the status of the subsequent similar finding below.

**FINDING 2020-002: Noncompliance and Significant Deficiency in Internal Controls over Compliance**

*Condition:* This finding noted that some Income Eligibility Verification (IEV) forms could not be located.

*Recommendation:* The auditor recommend that the Organization review and update their procedures to ensure all required IEV forms are completed.

*Current Status:* Due to COVID policies, IEV forms were not required for 2021. The client hired a new program manager at the end of 2021 and is working on solidifying IEV processes in light of COVID restriction releases.