FINANCIAL STATEMENTS

KEYSTONE COMMUNITY SERVICES
ST. PAUL, MINNESOTA

FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

Keystone Community Services
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Keystone Community Services
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Keystone Community Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Keystone Community Services as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 and *Government 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 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 August 20, 2026 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
August 20, 2026

FINANCIAL STATEMENTS

Keystone Community Services

Statements of Financial Position

December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 1,802,626	$ 1,117,556
Accounts receivable, net of allowance for credit losses of $63,579 and $30,000 in 2025 and 2024, respectively	174,163	714,624
Pledges receivable, current	175,491	-
Government grants receivable	147,687	2,600,000
Inventory	120,288	132,544
Prepaid expenses	78,688	2,241
Total Current Assets	2,498,943	4,566,965
Noncurrent Assets		
Investments	2,380,201	2,096,572
Pledges receivable, non-current	150,000	-
Unemployment trust funds held by others	24,778	33,523
Property and equipment, net	9,054,914	9,497,521
Total Noncurrent Assets	11,609,893	11,627,616
Total Assets	$ 14,108,836	$ 16,194,581
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 167,127	$ 234,031
Accrued payroll expenses	110,255	97,159
Notes payable, current	-	51,164
Total Current Liabilities	277,382	382,354
Noncurrent Liabilities		
Notes payable, noncurrent	2,602,255	4,237,457
Total Liabilities	2,879,637	4,619,811
Net Assets		
Without donor restrictions	10,903,708	11,022,289
With donor restrictions	325,491	552,481
Total Net Assets	11,229,199	11,574,770
Total Liabilities and Net Assets	$ 14,108,836	$ 16,194,581

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

Keystone Community Services

Statement of Activities

For the Year Ended December 31, 2025

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	$ 3,105,113	$ 510,000	$ 3,615,113
In-kind contributions	3,201,149	-	3,201,149
Special events, net of direct benefits to donors of $59,147	12,444	-	12,444
Greater Twin Cities United Way	51,779	-	51,779
Government grants	1,550,184	-	1,550,184
Total Support	7,920,669	510,000	8,430,669
Revenue			
Program service fees	1,232,954	-	1,232,954
Food sales	172,395	-	172,395
Express Bike sales, net of costs of goods sold of $214,613	204,551	-	204,551
Investment income	339,859	-	339,859
Miscellaneous revenue	83,671	-	83,671
Total Revenue	2,033,430	-	2,033,430
Net Assets Released From Restrictions	736,990	(736,990)	-
Total Support and Revenue	10,691,089	(226,990)	10,464,099
Expenses			
Program Services			
Youth services	968,677	-	968,677
Senior services	2,191,300	-	2,191,300
Basic needs	5,479,746	-	5,479,746
Social enterprise	380,866	-	380,866
Total Program Services	9,020,589	-	9,020,589
Supporting Services			
Management and general	1,287,638	-	1,287,638
Fundraising	501,443	-	501,443
Total Supporting Services	1,789,081	-	1,789,081
Total Expenses	10,809,670	-	10,809,670
Change In Net Assets	(118,581)	(226,990)	(345,571)
Net Assets, Beginning of the Year	11,022,289	552,481	11,574,770
Net Assets, End of the Year	$ 10,903,708	$ 325,491	$ 11,229,199

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

Keystone Community Services

Statement of Activities

For the Year Ended December 31, 2024

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	$ 1,316,862	$ 678,779	$ 1,995,641
In-kind contributions	4,277,071	-	4,277,071
Special events, net of direct benefits to donors of $37,990	105,777	-	105,777
Greater Twin Cities United Way	136,250	-	136,250
Government grants	4,042,791	-	4,042,791
Total Support	9,878,751	678,779	10,557,530
Revenue			
Program service fees	1,934,624	-	1,934,624
Food sales	248,851	-	248,851
Express Bike sales, net of costs of goods sold of $99,066	364,596	-	364,596
Investment income	277,430	-	277,430
Miscellaneous revenue	133,071	-	133,071
Total Revenue	2,958,572	-	2,958,572
Net Assets Released From Restrictions	859,024	(859,024)	-
Total Support and Revenue	13,696,347	(180,245)	13,516,102
Expenses			
Program Services			
Youth services	973,756	-	973,756
Senior services	2,013,152	-	2,013,152
Basic needs	6,006,800	-	6,006,800
Social enterprise	385,371	-	385,371
Total Program Services	9,379,079	-	9,379,079
Supporting Services			
Management and general	1,089,802	-	1,089,802
Fundraising	610,763	-	610,763
Total Supporting Services	1,700,565	-	1,700,565
Total Expenses	11,079,644	-	11,079,644
Change In Net Assets	2,616,703	(180,245)	2,436,458
Net Assets, Beginning of the Year	8,405,586	732,726	9,138,312
Net Assets, End of the Year	$ 11,022,289	$ 552,481	$ 11,574,770

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

Keystone Community Services
Statements of Functional Expenses
For the Year Ended December 31, 2025

	Program Services					Supporting Services			
	Youth Services	Basic Needs	Senior Services	Social Enterprise	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel Expenses									
Salaries	$ 680,563	$ 745,399	$ 1,450,671	$ 297,023	$ 3,173,656	$ 734,970	$ 304,775	$ 1,039,745	$ 4,213,401
Payroll taxes	55,829	60,902	116,173	25,664	258,568	60,159	26,268	86,427	344,995
Employee benefits	29,685	46,135	92,297	24,845	192,962	106,767	22,404	129,171	322,133
Total Personnel Expenses	766,077	852,436	1,659,141	347,532	3,625,186	901,896	353,447	1,255,343	4,880,529
Expenses									
Client assistance	4,976	182,849	-	-	187,825	-	-	-	187,825
Conference & staff training	4,457	856	4,478	803	10,594	10,146	2,975	13,121	23,715
Credit loss expense	-	-	33,579	-	33,579	-	-	-	33,579
Depreciation	5,579	494,692	20,193	-	520,464	7,221	1,625	8,846	529,310
Equipment rental & maintenance	6,384	45,965	29,382	848	82,579	9,583	1,490	11,073	93,652
Food	10,434	568,691	182,090	105	761,320	451	195	646	761,966
In-kind donations of food	-	3,110,433	-	-	3,110,433	-	-	-	3,110,433
Interest expense	-	-	-	-	-	33,954	-	33,954	33,954
Miscellaneous	7,288	903	3,091	747	12,029	6,452	7,314	13,766	25,795
Occupancy	24,750	72,231	51,222	18,298	166,501	60,450	2,865	63,315	229,816
Organization dues & subscriptions	7,940	15,252	59,666	2,004	84,862	20,939	20,508	41,447	126,309
Outside printing	200	11,776	1,440	256	13,672	5,568	33,105	38,673	52,345
Postage & shipping	36	6	3,299	-	3,341	1,548	1,652	3,200	6,541
Professional fees/contracted services	47,143	30,782	81,991	3,294	163,210	207,825	53,130	260,955	424,165
Recruitment	209	2,641	166	-	3,016	891	300	1,191	4,207
Supplies	51,018	47,353	36,200	5,883	140,454	10,862	21,083	31,945	172,399
Telephone	8,948	4,622	13,488	1,096	28,154	5,707	988	6,695	34,849
Transportation	23,238	38,258	11,874	-	73,370	4,145	766	4,911	78,281
Total Expenses	$ 968,677	$ 5,479,746	$ 2,191,300	$ 380,866	$ 9,020,589	$ 1,287,638	$ 501,443	$ 1,789,081	$ 10,809,670

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

Keystone Community Services
Statements of Functional Expenses (Continued)
For the Year Ended December 31, 2024

	Program Services					Supporting Services			
	Youth Services	Basic Needs	Senior Services	Social Enterprise	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel Expenses									
Salaries	$ 679,004	$ 622,223	$ 1,380,037	$ 295,707	$ 2,976,971	$ 596,770	$ 273,380	$ 870,150	$ 3,847,121
Payroll taxes	54,119	49,515	109,678	23,419	236,731	42,191	22,027	64,218	300,949
Employee benefits	42,982	44,411	102,710	25,998	216,101	78,256	24,205	102,461	318,562
Total Personnel Expenses	776,105	716,149	1,592,425	345,124	3,429,803	717,217	319,612	1,036,829	4,466,632
Expenses									
Client assistance	10,071	54,116	1,761	-	65,948	-	5,164	5,164	71,112
Conference & staff training	4,431	1,998	2,749	897	10,075	2,867	1,623	4,490	14,565
Depreciation	5,845	451,128	18,528	-	475,501	6,552	1,517	8,069	483,570
Equipment rental & maintenance	10,603	9,904	4,203	-	24,710	31,781	2,446	34,227	58,937
Food	9,662	386,617	149,949	1,097	547,325	2,336	112	2,448	549,773
In-kind donations of food	-	4,173,082	-	-	4,173,082	-	-	-	4,173,082
Miscellaneous	5,897	3,171	3,260	110	12,438	70,575	43,971	114,546	126,984
Occupancy	19,994	73,696	42,396	17,652	153,738	54,077	3,046	57,123	210,861
Organization dues & subscriptions	8,261	15,656	96,260	1,576	121,753	23,171	17,121	40,292	162,045
Outside printing	531	14,116	3,629	-	18,276	3,849	41,425	45,274	63,550
Postage & shipping	104	102	2,620	465	3,291	708	9,507	10,215	13,506
Professional fees/contracted services	33,658	16,330	48,574	4,129	102,691	157,086	149,923	307,009	409,700
Recruitment	100	2,192	232	-	2,524	292	20	312	2,836
Supplies	52,197	66,501	20,507	13,217	152,422	11,073	13,486	24,559	176,981
Telephone	9,142	3,773	11,439	633	24,987	4,537	1,101	5,638	30,625
Transportation	27,155	18,269	14,620	471	60,515	3,681	689	4,370	64,885
Total Expenses	$ 973,756	$ 6,006,800	$ 2,013,152	$ 385,371	$ 9,379,079	$ 1,089,802	$ 610,763	$ 1,700,565	$ 11,079,644

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

Keystone Community Services

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	$ (345,571)	$ 2,436,458
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	529,310	483,570
Credit loss expense	33,579	-
Net realized and unrealized investment gain	(234,781)	(185,399)
Change in assets and liabilities:		
Accounts receivable	506,882	(265,501)
Pledges receivable	(325,491)	-
Government grants receivable	2,461,058	(2,249,414)
Inventory	12,256	(84,374)
Prepaid expenses	(76,447)	9,198
Unemployment trust funds held by others	8,745	2,274
Accounts payable	(66,904)	35,768
Construction payable	-	(3,068,924)
Accrued payroll expenses	13,096	(10,718)
Cash Provided (Used) by Operating Activities	2,515,732	(2,897,062)
Cash Flows from Investing Activities		
Purchases of property and equipment	(86,703)	(928,943)
Proceeds from sales of investments	385,247	15,895
Purchases of investments	(442,840)	(60,357)
Net Cash Used for Investing Activities	(144,296)	(973,405)
Cash Flows from Financing Activities		
Payments on note payable	(1,686,366)	(178,219)
Change in Cash and Cash Equivalents	685,070	(4,048,686)
Cash and Cash Equivalents at Beginning of Year	1,117,556	5,166,242
Cash and Cash Equivalents at End of Year	$ 1,802,626	$ 1,117,556
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 33,954	99,318
Supplemental Disclosure of Noncash Investing and Financing Activities		
Property and equipment purchased through financing	$ -	$ 271,112

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

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Keystone Community Services (the Organization), is a not-for-profit organization founded in 1939. 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 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 youth in grades K-11, a tutoring program at McDonough Community Center that supports children in grades K-8, our youth employment and training program for teens which includes our social enterprise, Express Bike Shop, and Keystone's Best Buy Teen Tech Center. In 2025, 412 youth participated in Keystone youth programs and in 2024, 347 youth participated.

- **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 three mobile food programs - Foodmobile program, Grocery Delivery and summer Free Farmer's Market produce distributions. We also offer crisis assistance, case management services, and referrals. In 2025 and 2024, Keystone supported 53,431 and 52,124 people, respectively.

- **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 2025, 2,441 seniors participated in Keystone programs and in 2024, 2,952 seniors were served.

- **Keystone Social Enterprise 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 community art activities, family fun activities, Fare for All, tax assistance, and free legal clinics.

B. 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.

C. 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.

D. Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for services performed. Management determines the allowance for credit losses based on historical experience, an assessment of current conditions, a review of subsequent collections, and reasonable and supportable forecasts regarding future events. Fee-for-service receivables are written off when deemed uncollectable. At December 31, 2025 and 2024, the allowance for credit losses was $63,579 and $30,000, respectively.

Note 1: Summary of Significant Accounting Policies (Continued)

E. Government Grants Receivable

Government grant revenue is recognized when the program service is performed. Government grants receivable consists primarily of amounts due from grantors for program services rendered during the years ended December 31, 2025 and 2024. All amounts are expected to be collected within the next year and, therefore, no allowance for uncollectible accounts has been recorded.

F. Pledges Receivable

Pledges are recorded as receivables in the year they are pledged. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Pledges without donor restrictions to be collected in future periods are also recorded as an increase to net assets with donor restrictions, and reclassified to net assets without donor restrictions when received. Management individually reviews all past due pledges receivable and estimates the portion, if any, of the balance that will not be collected. Management believes all pledges are collectible as of December 31, 2025 and 2024, and accordingly, no allowance for uncollectible pledges is necessary.

G. Inventory

Inventory, consisting primarily of The Emergency Food Assistance Program (TEFAP) food, pedal bikes and bike parts, is 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's Basic Needs program and pedal bikes and bike parts are used in the operations of the Express Bike Shop.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

I. 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.

J. 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. Depreciation expense was $529,310 and $483,570 for the years ended December 31, 2025 and 2024, respectively.

K. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

L. Leases

The Organization determines if an arrangement is a lease at inception. If an arrangement contains a lease, the Organization performs a lease classification test to determine if the lease is an operating lease or a finance lease. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease liabilities are recognized on the commencement date of the lease based on the present value of the future lease payments over the lease term and are included in long-term liabilities and current liabilities on the statement of financial position. ROU assets are valued at the initial measurement of the lease liability, plus any indirect costs or rent prepayments, and reduced by any lease incentives and any deferred lease payments. Operating ROU assets are recorded on the face of the statement of financial position and are amortized over the lease term. To determine the present value of lease payments on lease commencement, the Organization uses the implicit rate when readily determinable. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense is recognized on a straight-line basis over the life of the lease and is included within operating expenses on the statement of activities.
The Organization has made the following elections related to leases:

- The Organization has elected to use a risk-free rate as the discount rate on all classes of underlying assets when an implicit rate is not readily available.

- The Organization has elected the practical expedient to account for the lease and non-lease components as a single lease component for classes of underlying assets.

- The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Short-term leases will not be capitalized.

M. Revenue Recognition

Revenue

Program service fees are recognized when services are rendered, and revenue from food and bike sales is recognized at the point of sale. The related performance obligations are satisfied at the time the underlying services are provided or the products are transferred to the customer. Accordingly, all earned revenue is recognized at a point in time.

Contract Balances

Billing primarily occurs concurrently with revenue recognition. However, the Organization may offer payment terms resulting in accounts receivable, which are considered contract assets. Billing may occur in advance of revenue recognition, resulting in contract liabilities, which are recorded as deferred revenue on the statement of financial position. These deferred revenues are liquidated when revenue is recognized. Accounts receivable reported in the statements of financial position represent amounts billed or earned but not yet collected as of year-end. Accounts receivable consist primarily of amounts due to the Organization for service fees. Contract assets consist of the following:

	December 31, 2025	December 31, 2024	January 1, 2024
Food and bike receivables	$ -	$ 57,306	$ 14,101
Accounts receivable - program service fees	$ 231,765	$ 421,817	$ 427,344
Allowance for credit losses	$ 63,579	$ 30,000	$ 8,000

Note 1: Summary of Significant Accounting Policies (Continued)

N. Support

Contributions, unconditional promises to give, and other assets are recognized at fair values and recorded as made. All contributions are considered to be without donor restriction unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - Resources over which the Organization has discretionary control. Designated amounts represent revenue, which the Board of Directors has set aside for a particular purpose.

With Donor Restrictions - Resources subject to donor-imposed restrictions, which will be satisfied by actions of the Organization or passage of time. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to support with donor restrictions at the time of receipt and as net assets released from restrictions.

A portion of support is derived from cost-reimbursement government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. As of December 31, 2025, conditional grants of $1,207,948, for which no amounts have been received in advance, have not been recognized on the accompanying financial statements.

O. 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 or on the date the securities are sold.

P. Donated Services

The Organization receives donated services from a large number of volunteers who assist with specific programs and supporting services. Contributed services are recognized as revenue and expense at fair value if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Services provided by volunteers that do not meet these criteria are not recognized in the financial statements. In 2025, 2,748 volunteers supported the Organization and in 2024, 1,553 volunteers provided support.

Donated professional services that meet the recognition criteria are recorded at their estimated fair value when received.

Q. Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated based on estimates of time and effort. Occupancy and related expenses are allocated based on square footage, and certain other shared costs are allocated based on employee headcount or other relevant usage factors.

Note 1: Summary of Significant Accounting Policies (Continued)

R. 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, 2025 and 2024 was $4,770 and $5,317, respectively.

S. Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are tax deductible as the Organization qualifies under Section 170(c) of the Internal Revenue Code.

T. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for the potential recognition or disclosure through August 20, 2026, the date the financial statements were available to be issued.

U. Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation. Net assets have not been affected by these reclassifications.

Note 2: Pledges Receivable

The Organization's pledge receivables represent contributions for the Organization. Outstanding pledge contributions from various corporations, foundations, and individuals were as follows at December 31:

	2025	2024
Due within one year	$ 175,491	$ -
Due within two to five years	150,000	-
Total Pledges Receivable	$ 325,491	$ -

Note 3: Property and Equipment

Property and equipment consist of the following at December 31:

	2025	2024
Equipment and vehicles	$ 1,045,611	$ 988,107
Land and Buildings	9,886,836	9,857,636
Leasehold Improvements	581,175	581,175
Total Property and Equipment	11,513,622	11,426,918
Less: Accumulated Depreciation	(2,458,708)	(1,929,397)
Property and Equipment, Net	$ 9,054,914	$ 9,497,521

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, 2025.

Note 5: Line of Credit

During 2022, Keystone Community Services entered into a $500,000 revolving line of credit with Old National Bank through September 15, 2025. The credit is secured by all assets of the Organization. Borrowings under the line bear interest at the bank’s prime rate. The line of credit had no balance due at December 31, 2025 and 2024.

Note 6: Facilities

The building used by the Organization for its community and administrative service programs is located at 2000 St. Anthony Avenue, St. Paul, Minnesota. In 2016, 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 7: 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:

Certificates of Deposit and Money Market Funds: Valued at cash value.

Common 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.

Note 7: 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, 2025	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	$ 1,277,237	$ -	$ -	$ 1,277,237
Corporate bonds and notes	871,477	-	-	871,477
Exchange traded funds	162,324	-	-	162,324
Money market funds	69,163	-	-	69,163
Total Investments	$ 2,380,201	$ -	$ -	$ 2,380,201

December 31, 2024	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	$ 1,157,475	$ -	$ -	$ 1,157,475
Money market funds	66,924	-	-	66,924
Certificates of deposit	-	29,805	-	29,805
Corporate bonds and notes	738,524	-	-	738,524
Exchange traded funds	103,844	-	-	103,844
Total Investments	$ 2,066,767	$ 29,805	$ -	$ 2,096,572

Investment income and gains and losses on investments consist of the following for the years ending December 31:

	2025	2024
Investment Income		
Dividends and interest	$ 105,078	$ 76,915
Unrealized gains	111,929	169,545
Realized gains	122,852	15,854
Total Investment Income	$ 339,859	$ 262,314

Note 8: Lease Income

The Organization leases its property to various organizations and programs. These leases are considered operating leases and range from $30 to $1,700 per month. Many leases are on a month-to-month basis. The total lease income for the years ended December 31, 2025 and 2024 was $40,683 and $39,749, respectively. The lessees do not have the option to purchase the underlying assets.

As of December 31, 2025, future minimum lease payments to be received of the leases are as follows:

Year Ended December 31,	Amount
2026	$ 41,183
2027	42,704
Total	$ 83,887

Note 9: Leases

The Organization has entered into various vehicle leases with Jim Carlson Leasing. Most of these leases are short-term leases, with options to purchase the vehicle that were not exercised by the Organization. One of these leases is not short-term and has been capitalized. The lease commenced September 2022 and calls for monthly payments of $350 and ended August 2024.

Additional information about the Organization's leases for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Lease Expense (included in operating expenses)		
Operating lease expense	$ -	$ 2,768
Short-term lease expense	-	-
Total Lease Expense	$ -	$ 2,768
Other Information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ -	$ 2,768
Weighted-average remaining lease term in years for operating leases	-	-
Weighted-average discount rate for operating leases	0.00%	0.00%

Note 10: 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 and 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.

Endowment fund balances and related distributed earnings for the years ended December 31:

	Balance	
	2025	2024
St. Paul Foundation	$ 261,444	$ 248,436
Oneida Education Center Fund	111,920	106,352
Minnesota Community Foundation	47,562	45,196
Total Endowments	$ 420,926	$ 399,984

	Distributed Earnings	
	2025	2024
St. Paul Foundation	$ 9,622	$ 11,449
Oneida Education Center Fund	4,119	4,902
Minnesota Community Foundation	1,750	2,083
Total Distributions Received	$ 15,491	$ 18,434

Note 11: Notes Payable

The Organization had long-term debt at December 31, 2025 and 2024 as follows:

	2025	2024
The Organization entered into a mortgage with Sunrise Bank on December 28, 2020 in the amount of $1,425,000. In 2023 the loan was renegotiated to allow draws of principal up to a balance of $3,214,151, at an interest rate of 6.02%, due in interest only installments until 2025, then in payments of $11,393 until a final balloon payment in March of 2028. The loan balance was paid off on April 9, 2025.	$ -	$ 1,696,112
The Organization entered into a note payable with the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota and the City of Saint Paul, Minnesota, in the amount of $2,602,255 with an interest rate of 0%. Monthly payments are deferred until January 25, 2033, the Borrower's refinance of the Property, the Borrower's voluntary or involuntary sale or conveyance of the Property or any portion thereof or any foreclosure of the Property. As long as the Organization is in compliance with the terms and conditions of the note, 50% of the loan will be forgiven January 25, 2028 and the remainder will be forgiven January 25, 2033.	2,602,255	2,592,509
Total Debt	2,602,255	4,288,621
Less: Current Portion	-	(51,164)
Total Long Term Debt	$ 2,602,255	$ 4,237,457

Years Ending December 31,	Amount
2026	$ -
2027	-
2028	-
2029	-
2030	-
Thereafter	2,602,255
Total	$ 2,602,255

Note 12: Net Assets with Donor Restriction

The Organization had the following donor-restricted net assets at December 31:

	2025	2024
Pledges receivable - time restricted	$ 325,491	$ 130,000
Food shelf and basic needs	-	422,481
Total Donor Restricted Net Assets	$ 325,491	$ 552,481

Note 13: In-kind Contributions

In-kind contributions consist of food, bikes, and other products donated by individuals, schools, civic groups, businesses, and churches. A pound of food was valued at an estimate of $1.92 for the years ended December 31, 2025 and 2024. There is a 10% spoilage factor for food donated that is not usable.

The Organization had the following in-kind contributions for years ended December 31:

	2025	2024	Usage in Programs/Activities	Fair Value Techniques
Food	$ 3,110,433	$ 4,159,793	School lunches and food distribution center	Estimated fair value per pound of food based on donor recommended food value
Bikes	50,960	73,670	Repaired and resold or granted by Express Bike Shop	Estimated fair value per bike received based on similar used bikes or donor valuation
School supplies	22,565	22,114	Used in youth programming and distributed to the community	Estimated fair value based on similar items in the market
Household goods	17,191	21,494	Distribution to individuals in all programs	Estimated fair value based on similar items in the market
Total	$ 3,201,149	$ 4,277,071		

None of the in-kind donations are donor restricted.

Note 14: 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 date, comprise the following:

	2025	2024
Cash and cash equivalents	$ 1,802,626	$ 1,117,556
Accounts receivable	174,163	714,624
Pledges receivable	325,491	-
Government grants receivable	147,687	2,600,000
Investments	2,380,201	2,096,572
Total Financial Assets	4,830,168	6,528,752
Less Financial Assets Unavailable for Current Year Spending due to:		
Net assets with donor restrictions	(150,000)	(422,481)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,680,168	$ 6,106,271

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

SINGLE AUDIT AND OTHER REQUIRED 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 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, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 the 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The 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.

Abdo

Abdo
Minneapolis, Minnesota
August 20, 2026

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

Board of Directors
Keystone Community Services
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Organization'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, 2025. 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, 2025.

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

Abdo
Minneapolis, Minnesota
August 20, 2026

Keystone Community Services

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor Cluster Title Program Title Pass-Through Agency	Assistance Listing Number	Pass-Through Identification Number	Federal Expenditures
United States Department of Agriculture			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Passed Through the State of Minnesota	10.561	GRK%220005	$ 63,249
Total SNAP Cluster			63,249
Food Distribution Cluster			
Emergency Food Assistance Program (Food Commodities)			
Passed Through Second Harvest Heartland	10.569	GRK%144570	551,310
Total Food Distribution Cluster			551,310
Total United States Department of Agriculture			614,559
United States Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants			
Passed-Through the Housing and Redevelopment Authority of the City of St Paul, Minnesota	14.218	None Noted	2,602,255
Total CDBG - Entitlement Grants Cluster			2,602,255
United States Department of Education			
Twenty-First Century Community Learning Centers			
Passed-Through the Minnesota Department of Education	84.287	S287C190023	297,471
Total United States Department of Education			297,471
United States Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging, Title III, Part C, Nutrition Services			
Passed Through Metro Meals on Wheels	93.945	None Noted	72,850
Total Aging Cluster			72,850
Total Federal Expenditures			$ 3,587,135

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

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, 2025. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the 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 Subpart E of 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), 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, 2025, the Organization did not elect to use the 15% de minimis indirect cost rate.

Note 6: Loan or Loan Guarantee Programs

The balance of the loan outstanding for the Community Development Block Grants/Entitlement Grants program, Assistance Listing Number 14.218, as of December 31, 2025 is $2,602,255.

Keystone Community Services
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements:	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
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	None Reported
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

Identification of Major Programs:	**Assistance Listing Number**
Food Distribution Cluster	10.569
Twenty-first Century Community Learning Centers	84.287

Dollar threshold used to distinguish between Type A and Type B Programs:	$ 1,000,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	Yes

Section II - Findings - Financial Statement Audit

A material weakness relating to the audit of the financial statements is reported in the 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. Finding 2025-001 is reported as a material weakness.

2025-001 Material Weakness in Internal Controls over Financial Reporting

Condition:
During the audit, we identified that the Organization recorded program service fee revenue and related accounts receivable based on estimates throughout the year; however, these estimates were not subsequently reconciled or trued up to actual billings, collections, or other relevant supporting data. Additionally, controls designed to review the accuracy and completeness of these estimates were not performed consistently or at a sufficient level of precision. As a result of these deficiencies, material audit adjustments were required to reduce accounts receivable and program service fee revenue to amounts considered realizable and properly stated in accordance with U.S. GAAP.

Criteria:
In accordance with U.S. GAAP, revenue should be recognized in an amount that reflects the consideration to which the Organization expects to be entitled, and estimates should be updated each reporting period to reflect changes in facts and circumstances. Additionally, receivables should be recorded at amounts expected to be collected, requiring ongoing evaluation and adjustment. Management is responsible for the design and effective operation of internal controls to ensure financial information is complete, accurate, and in conformity with U.S. GAAP.

Cause:
The Organization did not implement effective procedures to reconcile estimated revenue and receivable balances to actual results or to record timely true-up adjustments. In addition, review controls over revenue recognition and receivable valuation lacked sufficient precision and consistency to detect material misstatements.

Effect:
As a result, accounts receivable and program service fee revenue were materially overstated prior to audit adjustments. This control deficiency creates a reasonable possibility that a material misstatement of the financial statements would not be prevented, or detected and corrected, on a timely basis.

Recommendation:
We recommend that management design and implement controls to periodically reconcile estimated program service fee revenue and related receivables to actual billings, collections, and other relevant data, and to record timely true-up adjustments. These controls should be consistently performed throughout the reporting period and include documented review procedures executed at an appropriate level of precision to identify and correct potential misstatements. Additionally, management should ensure adequate documentation is maintained to evidence the performance and review of controls, provide training to personnel responsible for control execution, and implement ongoing monitoring procedures to support effective and sustained compliance with U.S. GAAP.

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

The Summary Schedule of Prior Audit Findings is not required because there were no prior year audit findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

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) (Uniform Guidance).