



# Consolidated Financial Statements

## Keystone Community Services

Saint Paul, Minnesota

For the years ended December 31, 2022 and 2021



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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 consolidated financial statements of Keystone Community Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 21, 2023 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 21, 2023



## CONSOLIDATED FINANCIAL STATEMENTS

Keystone Community Services  
Consolidated Statements of Financial Position  
December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,345,724	\$ 2,996,820
Accounts receivable, net of allowance for doubtful accounts of \$8,000 for 2022 and 2021	433,445	546,398
Grants receivable, current	266,737	230,148
Pledges receivable, current	123,858	71,450
Inventory	73,745	117,465
Prepaid expenses	16,963	35,161
Total Current Assets	5,260,472	3,997,442
<b>Noncurrent Assets</b>		
Investments	1,659,698	1,875,537
Grants receivable, noncurrent	155,750	-
Pledges receivable, noncurrent	71,008	139,800
Unemployment funds held by others	27,947	68,775
Property and equipment, net	3,012,566	2,768,188
Operating right-of-use assets, net	63,203	-
Total Noncurrent Assets	4,990,172	4,852,300
Total Assets	\$ 10,250,644	\$ 8,849,742
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 142,541	\$ 400,693
Accrued payroll expenses	11,534	10,754
Accrued vacation	73,317	80,021
Notes payable, current	30,443	30,789
Operating lease liabilities, current portion	60,936	-
Total Current Liabilities	318,771	522,257
<b>Noncurrent Liabilities</b>		
Notes payable	1,604,455	1,662,293
Operating lease liabilities	2,432	-
Total Noncurrent Liabilities	1,606,887	1,662,293
Total Liabilities	1,925,658	2,184,550
<b>Net Assets</b>		
Without donor restriction	7,413,301	6,255,586
With donor restriction	911,685	409,606
Total Net Assets	8,324,986	6,665,192
Total Liabilities and Net Assets	\$ 10,250,644	\$ 8,849,742

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, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Support			
Contributions and grants	\$ 3,305,184	\$ 1,076,536	\$ 4,381,720
In-kind contributions	3,466,394	-	3,466,394
Greater Twin Cities United Way	143,000	-	143,000
Government contracts and grants	790,723	-	790,723
Total Support	<u>7,705,301</u>	<u>1,076,536</u>	<u>8,781,837</u>
Revenue			
Program service fees	1,787,521	-	1,787,521
Food sales	218,288	-	218,288
Express Bike sales, net of costs of goods sold of \$77,529	235,914	-	235,914
Investment loss, net	(168,700)	-	(168,700)
Miscellaneous revenue	73,187	-	73,187
Total Revenue	<u>2,146,210</u>	<u>-</u>	<u>2,146,210</u>
Net Assets Released From Restrictions	<u>574,457</u>	<u>(574,457)</u>	<u>-</u>
Total Support and Revenue	<u>10,425,968</u>	<u>502,079</u>	<u>10,928,047</u>
Expenses			
Program Services			
Youth Services	870,670	-	870,670
Senior Services	1,676,599	-	1,676,599
Basic Needs	4,845,280	-	4,845,280
Social Enterprise	351,983	-	351,983
Total Program Services	<u>7,744,532</u>	<u>-</u>	<u>7,744,532</u>
Supporting Services			
Management and general	974,526	-	974,526
Fundraising	880,159	-	880,159
Total Supporting Services	<u>1,854,685</u>	<u>-</u>	<u>1,854,685</u>
Total Expenses	<u>9,599,217</u>	<u>-</u>	<u>9,599,217</u>
Change In Net Assets	<u>826,751</u>	<u>502,079</u>	<u>1,328,830</u>
Net Assets, Beginning of the Year, As Previously Reported	6,255,586	409,606	6,665,192
Prior Period Adjustment	330,964	-	330,964
Net Assets, Beginning of the Year, As Restated	<u>6,586,550</u>	<u>409,606</u>	<u>6,996,156</u>
Net Assets, End of the Year	<u>\$ 7,413,301</u>	<u>\$ 911,685</u>	<u>\$ 8,324,986</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, 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	1,853,447	-	1,853,447
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	207,102	-	207,102
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**  
**Unconsolidated Keystone Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	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	\$ 538,204	\$ 482,056	\$ 1,171,983	\$ 209,490	\$ 2,401,733	\$ 564,630	\$ 301,338	\$ 865,968	\$ 3,267,701
Payroll taxes	43,557	39,016	95,068	17,017	194,658	48,088	24,423	72,511	267,169
Employee benefits	50,783	28,092	67,175	13,631	159,681	99,482	16,378	115,860	275,541
<b>Total Personnel Expenses</b>	<b>632,544</b>	<b>549,164</b>	<b>1,334,226</b>	<b>240,138</b>	<b>2,756,072</b>	<b>712,200</b>	<b>342,139</b>	<b>1,054,339</b>	<b>3,810,411</b>
<b>Expenses</b>									
Professional fees/contracted services	24,095	5,212	25,314	3,219	57,840	92,197	324,280	416,477	474,317
Supplies	75,564	31,898	13,184	8,352	128,998	34,859	63,352	98,211	227,209
Food except In-kind	12,771	205,958	109,169	143	328,041	-	-	-	328,041
In-kind donations	-	3,462,164	-	46,547	3,508,711	-	42,219	42,219	3,550,930
Client assistance	1,500	153,575	40	-	155,115	3,800	-	3,800	158,915
Transportation	33,066	19,728	8,128	557	61,479	4,219	825	5,044	66,523
Telephone	7,437	6,851	9,079	306	23,673	3,680	930	4,610	28,283
Occupancy	29,543	175,741	60,798	14,868	280,950	52,339	10,253	62,592	343,542
Equipment rental & maintenance	8,122	11,069	907	-	20,098	17,346	-	17,346	37,444
Postage & shipping	3	16	4,179	392	4,590	1,467	9,636	11,103	15,693
Outside printing	572	2,345	1,839	1,352	6,108	2,633	58,176	60,809	66,917
Recruitment	508	1,970	1,032	60	3,570	293	198	491	4,061
Conference & staff training	6,500	1,410	3,739	1,213	12,862	9,753	2,366	12,119	24,981
Organization dues & subscriptions	2,439	13,194	56,182	3,614	75,429	13,666	16,091	29,757	105,186
Miscellaneous	11,723	59,620	24,470	532	96,345	18,254	7,948	26,202	122,547
<b>Total Expenses Before Depreciation</b>	<b>846,387</b>	<b>4,699,915</b>	<b>1,652,286</b>	<b>321,293</b>	<b>7,519,881</b>	<b>966,706</b>	<b>878,413</b>	<b>1,845,119</b>	<b>9,365,000</b>
<b>Depreciation</b>	<b>24,283</b>	<b>145,365</b>	<b>24,313</b>	<b>30,690</b>	<b>224,651</b>	<b>7,820</b>	<b>1,746</b>	<b>9,566</b>	<b>234,217</b>
<b>Total Expenses</b>	<b>\$ 870,670</b>	<b>\$ 4,845,280</b>	<b>\$ 1,676,599</b>	<b>\$ 351,983</b>	<b>\$ 7,744,532</b>	<b>\$ 974,526</b>	<b>\$ 880,159</b>	<b>\$ 1,854,685</b>	<b>\$ 9,599,217</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, 2021

	Program Services				Total Program Services	Supporting Services		Total Support Services	Total Expenses
	Youth Services	Basic Needs	Senior Services	Social Enterprise		General & Administrative	Fundraising		
<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>
<b>Depreciation</b>	<b>24,068</b>	<b>148,639</b>	<b>24,390</b>	<b>-</b>	<b>197,097</b>	<b>7,677</b>	<b>1,623</b>	<b>9,300</b>	<b>206,397</b>
<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 UBA Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Program Services	Supporting Services		Total Expenses
	Express Bike	Management and General	Fundraising	
Personnel Expenses				
Salaries	\$ 176,525	\$ 2,885	\$ 902	\$ 3,787
Payroll taxes	12,702	208	65	273
Employee benefits	18,322	299	94	393
Total Personnel Expenses	<u>207,549</u>	<u>3,392</u>	<u>1,061</u>	<u>4,453</u>
Expenses				
Youth apprenticeships	-	-	-	-
Professional fees	142	2	1	3
Bank & credit card fees	6,149	101	31	132
Marketing & advertising	98	2	1	3
Supplies	940	15	4	19
Occupancy	12,725	208	65	273
Equipment expenses	844	14	5	19
Meetings	227	4	1	5
Dues & Subscriptions	4,534	74	23	97
Licenses	118	2	1	3
In-kind	48,031	-	-	-
Assessments	728	12	2	14
Miscellaneous	1,181	382	6	388
Total Expenses Before Depreciation	<u>283,266</u>	<u>4,208</u>	<u>1,201</u>	<u>5,409</u>
Depreciation	<u>30,046</u>	<u>491</u>	<u>153</u>	<u>644</u>
Total Expenses	<u>\$ 313,312</u>	<u>\$ 4,699</u>	<u>\$ 1,354</u>	<u>\$ 6,053</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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 1,328,830	\$ 1,891,334
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	234,217	237,087
Prior period adjustment	330,964	-
Operating lease expense in excess of cash paid	165	-
Net realized and unrealized investment gain	225,711	(150,527)
Change in assets and liabilities:		
Accounts receivable	112,953	(240,885)
Grants receivable	(192,339)	(67,648)
Pledge receivable	16,384	(124,250)
Inventory	43,720	(94,500)
Prepaid expenses	18,198	25,751
Unemployment funds held by others	40,828	(13,698)
Accounts payable	(258,152)	201,769
Accrued payroll expenses	780	(315)
Accrued vacation	(6,704)	(20,108)
Security deposit	-	(5,500)
Cash Provided by Operating Activities	1,895,555	1,638,510
Cash Flows from Investing Activities		
Purchases of property and equipment	(478,595)	(22,504)
Proceeds from sales of investments	59,516	235,313
Purchases of investments	(69,388)	(289,815)
Net Cash Used by Investing Activities	(488,467)	(77,006)
Cash Flows from Financing Activities		
Payments on note payable	(58,184)	(35,759)
Change in Cash and Cash Equivalents	1,348,904	1,525,745
Cash and Cash Equivalents at Beginning of Year	2,996,820	1,471,075
Cash and Cash Equivalents at End of Year	\$ 4,345,724	\$ 2,996,820
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 65,090	\$ 66,628
Supplemental Disclosure of Noncash Investing and Financing Activities		
ROU assets obtained in exchange for new operating lease liabilities	\$ 130,200	\$ -

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

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**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. UBA merged with Keystone Community Services on January 1, 2022.

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 community art activities, family fun activities, Fare for All, tax assistance, and free legal clinics. In 2022, 1,362 neighbors participated in community programs. In 2021, 1,290 neighbors participated in community activities hosted by Keystone which included a COVID-19 vaccine clinic.
- **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 2022, we continued to expand our Grocery Delivery program and added Foodmobile staff and locations to serve 42,254 people. In 2021, Keystone supported 39,399 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 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 2022, 325 youth participated in Keystone youth programs and in 2021, 269 youth participated.
- **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 2022, 2,313 seniors participated in Keystone programs and in 2021, 2,368 seniors were served.

**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. During early 2022, UBA merged into Keystone. As a result, only 2021 financial statements are consolidated.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**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, 2022 and 2021, 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, 2022 and 2021.

**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 the Express Bike Shop.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**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. 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.

**K. 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.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

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

**L. 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.

**M. 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. In 2022, 2,193 volunteers supported Keystone services and in 2021, 1,863 volunteers provided support.

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

**N. 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.

**O. 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.

**P. Advertising Costs**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ending December 31, 2022 and 2021 was \$6,119 and \$5,050, respectively.

**Q. 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.

**R. Reclassifications**

Certain reclassifications have been made to the prior year financial statements to match current year presentation. These changes do not affect net assets.

**S. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for the potential recognition or disclosure through June 21, 2023, the date the financial statements were available to be issued. The Organization signed a modified debt agreement to allow for an increase in debt draws related to a pre-existing mortgage. See Note 8 for more information.



Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 2: Property and Equipment**

Property and equipment consist of the following at December 31:

	2022	2021
Equipment and vehicles	\$ 706,315	\$ 579,948
Land and Buildings	2,493,110	2,588,244
Leasehold Improvements	581,175	581,175
Construction-in-process	447,362	-
Total Property and Equipment	4,227,962	3,749,367
Less: Accumulated Depreciation	(1,215,396)	(981,179)
Property and Equipment, Net	\$ 3,012,566	\$ 2,768,188

**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:

*Certificates of Deposit:* Valued at cash 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.

*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.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**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, 2022	Level 1	Level 2	Level 3	Total
Investments:				
Common stock	\$ 917,240	\$ -	\$ -	\$ 917,240
Money market funds	114,857	-	-	114,857
Certificates of deposit	113,097	-	-	113,097
Corporate bonds and notes	417,470	-	-	417,470
Exchange traded funds	97,034	-	-	97,034
<b>Total Investments</b>	<b>\$ 1,659,698</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,659,698</b>
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>\$ 1,875,537</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,875,537</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, 2022.

**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, 2022 and 2021.

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. There was an outstanding balance of \$0 at December 31, 2022.

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, 2022 and 2021, the rate was 5%. There was \$0 and \$0 borrowed on the line of credit at December 31, 2022 and 2021, respectively. This note was not renewed, since UBA is no longer an active organization.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 6: Leases**

**A. ASC 840**

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
2023	\$ 1,120
2024	1
2025	1
Total	\$ 1,122

Total lease expenses for the year ended December 31, 2022 and 2021 were \$115,112 and \$108,088, respectively

**B. ASC 842**

Effective October 2018, the Organization entered into a copier lease agreement with Metro Sales Inc. that calls for monthly payments of \$97 and is set to expire in September 2022.

Effective September 2019, the Organization entered into a building lease agreement with PSDL Group, LLC that calls for monthly payments of \$3,070. The lease has been extended to August 31, 2022. After this date, the lease has been under negotiation and is on an ongoing month-to-month basis. As such, this lease has been treated as a short-term lease.

Effective February 2017, the Organization entered into a building lease agreement with 1910 University Partners LLC that calls for monthly payments of \$2,646, increasing yearly. The lease has been modified and extended with the latest amendment extending the lease through December 2023, with monthly payments of \$4,113. Payments in 2022 increased from \$3,700 to \$4,113.

Effective August 2019, the Organization entered into a building lease with Midwest Special Services, Inc. that calls for monthly payments of \$100. The lease has been modified so that payments were \$1,380 in 2022 and expiring on May 31, 2023.

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 is not likely to be 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, ending August 2024.

As disclosed in Note 1, the Organization adopted FASB ASC 842, effective January 1, 2022, using a modified retrospective approach. As a result, the Organization was required to recognize a ROU asset and corresponding lease liability on the face of the statement of financial position for the year ended December 31, 2022. As the standard was implemented using a modified retrospective approach, the balance sheet as of December 31, 2021, was not impacted.

The ROU lease asset and corresponding lease liability were calculated utilizing a risk-free discount rate according to the Organization's elected policy. The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 6: Leases (Continued)**

**B. ASC 842 (Continued)**

Additional information about the Organization's lease for the year ended December 31, 2022, is as follows:

Lease Expense (included in operating expenses)	
Operating lease expense	\$ 68,234
Short-term lease expense	45,695
	113,929
Total Lease Expense	\$ 113,929
 Other Information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 68,069
ROU assets obtained in exchange for new operating lease liabilities	130,200
Weighted-average remaining lease term in years for operating leases	1.00
Weighted-average discount rate for operating leases	2.38%

Future cash flows for operating leases is as follows:

<u>Year ended December 31,</u>	
2023	\$ 61,330
2024	2,800
	64,130
Total undiscounted cash flows	64,130
Less: present value discount	(762)
Total lease liabilities	\$ 63,368

**Note 7: 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 Organization exercised the option to prepay a portion of the loan during the year. The note is secured by a \$15,000 collateral deposit made by the Organization at the time of the loan. The balance for the years ended December 31, 2022 and 2021 is \$209,898 and \$266,425, respectively.

The Organization entered into a mortgage with Sunrise Banks on December 28, 2020 in the amount of \$1,425,000. This loan is based on a 3.75% interest rate. The loan's collateral include the buildings financed by the agreement and any rents produced by those same buildings. Monthly interest-only payments are required under the agreement. A balloon payment of the entire principal was due on December 28, 2022. This was amended to be February 28, 2023. Subsequent to year-end, 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 balance for the years ended December 31, 2022 and 2021 is \$1,425,000 for both years.

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 7: Notes Payable (Continued)**

The following is a schedule of future principal payments due:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 30,443
2024	179,455
2025	51,164
2026	54,375
2027	57,789
Beyond	<u>1,261,672</u>
Total	<u>\$ 1,634,898</u>

**Note 8: Restricted Net Assets**

The Organization had the following donor-restricted net assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Food Shelf and Basic Needs	\$ 465,069	\$ 81,639
Pledges Receivable - Time Restricted	194,866	211,250
General Operations - Time Restricted	140,750	1,000
Express Bike	66,000	-
Youth Program	35,000	40,000
Teen Tutoring Employment	10,000	30,000
TTC Renovation	-	25,000
Community Kids & Seniors	-	15,717
Seniors - Case Management	-	5,000
Total Donor Restricted Net Assets	<u>\$ 911,685</u>	<u>\$ 409,606</u>

Net assets were released from restrictions as follows during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Food Shelf and Basic Needs	\$ 253,106	\$ 146,910
Youth Program	125,000	125,000
General Operations - Time Restricted	80,250	111,463
Express Bike	34,000	-
TTC Renovation	25,000	-
Teen Tutoring Employment	20,000	10,000
Pledges Receivable - Time Restricted	16,384	-
Community Kids & Seniors	15,717	14,283
Seniors - Case Management	5,000	15,000
Total Releases - Restricted Net Assets	<u>\$ 574,457</u>	<u>\$ 422,656</u>

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 9: 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.

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

	Balance	
	2022	2021
St. Paul Foundation	\$ 233,553	\$ 269,105
Oneida Education Center Fund	99,982	115,228
Minnesota Community Foundation	42,448	48,956
Total Endowments	\$ 375,983	\$ 433,289
	Distributed Earnings	
	2022	2021
St. Paul Foundation	\$ 9,108	\$ 8,662
Oneida Education Center Fund	3,900	3,709
Minnesota Community Foundation	1,657	1,576
Total Distributions Received	\$ 14,665	\$ 13,947

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**Note 10: 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 and \$1.75 for the years ended December 31, 2022 and 2021, respectively. There is a 10% spoilage factor for food donated that is not usable.

For the years ended December 31, 2022 and 2021, the Organization had the following in-kind contributions:

	<u>2022</u>	<u>2021</u>	<u>Usage in Programs/Activities</u>	<u>Donor Restriction</u>	<u>Fair Value Techniques</u>
Food	\$ 3,377,628	\$ 2,799,620	School lunches and food distribution center	None	Estimated fair value per pound of food based on donor recommended food value
Bikes	46,547	48,031	Repaired and resold or granted by Express Bike Shop Used in youth programming and distributed to the community	None	Estimated fair value per bike received based on similar used bikes or donor valuation
School Supplies	29,296	-	Distribution to individuals in all programs	None	Estimated fair value based on similar items in the market
Other	<u>12,923</u>	<u>27,711</u>		None	Estimated fair value based on similar items in the market
Total	<u>\$ 3,466,394</u>	<u>\$ 2,875,362</u>			

**Note 11: Lease Income**

The Organization leases its property, noted in Note 2, to various organizations and programs. These leases are considered operating leases, and range from \$30 to \$1,600 per month. Many leases are on a month-to-month basis, and thus do not have expected payments in the subsequent years. One lease has expected payments in 2023. The total lease income for the year ended December 31, 2022 and 2021 was \$34,488 and \$131,944, respectively. The lessees do not have the option to purchase the underlying assets.

As of December 31, 2022, future minimum lease payments to be received of the leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	<u>\$ 5,976</u>

Keystone Community Services  
Notes to the Consolidated Financial Statements  
December 31, 2022 and 2021

**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: 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:

	2022	2021
Cash and Cash Equivalents	\$ 4,345,724	\$ 2,996,820
Accounts Receivable	433,445	546,398
Grants Receivable	422,487	230,148
Pledges Receivable	194,866	211,250
Investments	1,659,698	1,875,537
Total Financial Assets	7,056,220	5,860,153
Less Financial Assets Unavailable for Current Year Spending due to:		
Net assets with donor restrictions	(576,069)	(268,806)
Grants receivable, noncurrent	(155,750)	-
Pledges receivable, noncurrent	(71,008)	(139,800)
Total Financial Assets Unavailable for Current Year Spending	(802,827)	(408,606)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,253,393	\$ 5,451,547

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, 2022

Federal Grantor/Program Title Pass-Through Grantor/Pass-Through Entity Identifying Number	Federal Domestic Assistance Number	Pass-Through Identification Number	From Pass-Through Awards
<b>United States Department of Agriculture</b>			
SNAP Cluster:			
Passed-Through the State of Minnesota State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	21216S25144220	\$ 1,509
Food Distribution Cluster:			
Passed-Through Second Harvest Heartland: Emergency Food Assistance Program (Food Commodities)	10.569	GRK%144570	<u>590,110</u>
<i>Total United States Department of Agriculture:</i>			<u>591,619</u>
<b>United States Department of Housing and Urban Development</b>			
Entitlement Grants Cluster:			
Passed-Through Ramsey County MN Community Development Block Grants/Entitlement Grants	14.218	None Noted	<u>65,614</u>
<b>United States Department of Education</b>			
Passed-Through the Minnesota Department of Education: Twenty-First Century Community Learning Centers	84.287	S287C190023	<u>363,344</u>
<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	5,000
Passed-Through Ramsey County MN Emergency Food and Shelter National Board Program	97.024	503200019	<u>16,018</u>
<i>Total United States Department of Homeland Security:</i>			<u>21,018</u>
<b>United States Department of the Treasury</b>			
Passed-Through Hunger Solutions:			
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	None Noted	<u>15,615</u>
Passed-Through the State of Minnesota:			
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	A-ARPMI-2022-KEYSTOCS-00028	<u>50,076</u>
<i>Total United States Department of the Treasury:</i>			<u>65,691</u>
Total Federal Expenditures			<u>\$ 1,107,286</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, 2022

**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, 2022. 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, 2022, the Organization did not elect to use the 10% de minimis indirect cost rate.

## 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, 2022, 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 21, 2023.

**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.



**Abdo**  
Minneapolis, Minnesota  
June 21, 2023



**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, 2022. 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, 2022.

**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 21, 2023



Keystone Community Services  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2022

**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?	None Noted
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 Noted

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

<b>Federal CFDA Number</b>

Identification of Major Programs:

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**

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) of the Uniform Guidance.