

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**CONSOLIDATED  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Interfaith Action of Greater Saint Paul  
Saint Paul, Minnesota

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Interfaith Action of Greater Saint Paul (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Action of Greater Saint Paul as of June 30, 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.

### ***Other Matters***

#### *Report on Summarized Comparative Information*

We have previously audited the consolidated financial statements of Interfaith Action of Greater Saint Paul and its supporting Foundation as of June 30, 2020, and we expressed an unmodified audit opinion on those financial statements in our report dated January 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information shown on pages 24 through 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal *Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The corrective action plan has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of Interfaith Action of Greater Saint Paul's 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 Interfaith Action of Greater Saint Paul's 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 Interfaith Action of Greater Saint Paul's internal control over financial reporting and compliance.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

December 7, 2021

**INTERFAITH ACTION OF GREATER SAINT PAUL**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Comparative Totals for 2020)

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 328,211	\$ 1,009,668
Investments	126,758	-
Accounts receivable	2,401	1,870
Grants receivable - government	797,285	52,527
Prepaid expenses	2,800	2,800
Pledges receivable - current portion	37,860	18,949
Inventory	-	1,700
Total current assets	1,295,315	1,087,514
Other assets:		
Pledges receivable - less current portion	3,680	13,275
Endowment investments	1,021,859	820,785
Property and equipment, net	594,895	573,685
Other assets	14,581	-
Total assets	\$ 2,930,330	\$ 2,495,259
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 114,220	\$ 20,593
Accrued payroll and related	196,104	134,367
Deferred revenue	-	61,386
Gift annuity payable	50	46
Total current liabilities	310,374	216,392
Long-term liability:		
Gift annuity payable	14,870	14,920
Long-term debt	-	273,000
Total long-term liabilities	14,870	287,920
Total liabilities	325,244	504,312
Net assets:		
Without donor restrictions	512,313	281,480
With donor restrictions	2,092,773	1,709,467
Total net assets	2,605,086	1,990,947
Total liabilities and net assets	\$ 2,930,330	\$ 2,495,259

See accompanying notes to the consolidated financial statements.

**INTERFAITH ACTION OF GREATER SAINT PAUL**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Support:				
Foundations/Corporations	\$ 211,496	\$ 420,973	\$ 632,469	\$ 1,019,416
Government grants	1,921,505	210,312	2,131,817	885,879
Individuals	246,507	275,964	522,471	437,859
Contributed materials and services	44,079	-	44,079	384,448
Congregations	51,371	73,575	124,946	141,421
Event income	-	-	-	4,244
Investment income, net	23,077	235,684	258,761	29,074
Fees and rental	-	-	-	3,000
Loan forgiveness	273,000	-	273,000	-
Miscellaneous income	7,467	-	7,467	5,400
Interest on loan from Foundation	(16,875)	16,875	-	-
Net assets released from restrictions	850,077	(850,077)	-	-
Total support and revenues	<u>3,611,704</u>	<u>383,306</u>	<u>3,995,010</u>	<u>2,910,741</u>
Expenses:				
Programs:				
Project Home	1,364,794	-	1,364,794	1,142,418
Department of Indian Work	1,014,086	-	1,014,086	432,398
Opportunity Saint Paul	138,017	-	138,017	156,277
Other programs	22,691	-	22,691	126,272
Total programs expense	<u>2,539,588</u>	<u>-</u>	<u>2,539,588</u>	<u>1,857,365</u>
Supporting services:				
General and administrative	510,918	-	510,918	392,962
Fundraising	330,365	-	330,365	297,706
Total supporting services	<u>841,283</u>	<u>-</u>	<u>841,283</u>	<u>690,668</u>
Total expenses	<u>3,380,871</u>	<u>-</u>	<u>3,380,871</u>	<u>2,548,033</u>
Change in net assets	230,833	383,306	614,139	362,708
Net assets, beginning of year	<u>281,480</u>	<u>1,709,467</u>	<u>1,990,947</u>	<u>1,628,239</u>
Net assets, end of year	<u>\$ 512,313</u>	<u>\$ 2,092,773</u>	<u>\$ 2,605,086</u>	<u>\$ 1,990,947</u>

See accompanying notes to the consolidated financial statements.

**INTERFAITH ACTION OF GREATER SAINT PAUL**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	2021								2020
	Project Home	Department of Indian Work	Opportunity Saint Paul	Other Programs	Total Programs	Supporting Services		Total	
						General and Administrative	Fundraising		
Salaries and wages	\$ 689,725	\$ 365,755	\$ 92,642	\$ 6,642	\$ 1,154,764	\$ 279,221	\$ 128,636	\$ 1,562,621	\$ 1,067,804
Payroll taxes	51,765	27,191	4,806	504	84,266	18,236	10,512	113,014	79,611
Employee benefits	95,329	14,253	11,396	-	120,978	58,817	21,221	201,016	187,803
	<u>836,819</u>	<u>407,199</u>	<u>108,844</u>	<u>7,146</u>	<u>1,360,008</u>	<u>356,274</u>	<u>160,369</u>	<u>1,876,651</u>	<u>1,335,218</u>
Site rental fees	151,120	-	-	-	151,120	-	-	151,120	282,622
Supplies and services	133,710	290,997	299	362	425,368	-	31	425,399	270,249
Consulting/independent contractors	24,502	135,475	5,158	5,592	170,727	43,833	130,104	344,664	253,480
Grants	-	-	-	-	-	-	-	-	36,529
Partner organizations	2,458	-	-	3,789	6,247	-	-	6,247	1,100
Computer/telephone/internet	94,883	77,150	14,484	5,211	191,728	29,773	19,250	240,751	106,221
Client transportation	24,061	5,764	-	-	29,825	-	-	29,825	63,823
Building/grounds	62,586	45,380	3,656	366	111,988	4,813	5,704	122,505	57,670
Equipment	5,648	6,284	1,538	6	13,476	1,606	1,468	16,550	7,625
Travel/transportation	4,428	979	61	-	5,468	1,509	6	6,983	6,855
Laundry services	5,819	71	-	-	5,890	-	-	5,890	8,829
Professional development	1,082	936	503	1	2,522	1,042	145	3,709	5,410
Office supplies	3,666	1,944	330	41	5,981	12,943	3,953	22,877	16,001
Public relations/newsletter	133	26,499	-	-	26,632	-	-	26,632	4,846
Events and meetings	-	-	-	-	-	2,510	1,808	4,318	24,037
Payroll and bank fees	-	2	-	-	2	12,773	-	12,775	12,615
Bad debt	-	-	-	-	-	11,484	-	11,484	-
Interest expense	-	-	-	-	-	1,236	-	1,236	1,239
Depreciation	11,689	15,231	3,144	177	30,241	25,297	7,527	63,065	49,785
Other	2,190	175	-	-	2,365	5,825	-	8,190	3,879
Total program costs	<u>\$ 1,364,794</u>	<u>\$ 1,014,086</u>	<u>\$ 138,017</u>	<u>\$ 22,691</u>	<u>\$ 2,539,588</u>	<u>\$ 510,918</u>	<u>\$ 330,365</u>	<u>\$ 3,380,871</u>	<u>\$ 2,548,033</u>

See accompanying notes to the consolidated financial statements.

**INTERFAITH ACTION OF GREATER SAINT PAUL**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 614,139	\$ 362,708
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	63,065	49,785
Loan forgiveness	(273,000)	-
Donated stock	(104,574)	-
Unrealized gain on investments	(244,933)	(14,187)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(745,289)	74,663
Prepaid expenses	-	12,336
Pledges receivable	(9,316)	39,169
Inventory	1,700	(1,700)
Other asset	(14,581)	-
Accounts payable	93,627	(74,817)
Accrued payroll and related	61,737	23,525
Deferred revenue	(61,386)	61,386
Annuity payable	(46)	(43)
Net cash from operating activities	(618,857)	532,825
Cash flows from investing activities:		
Purchase of property and equipment	(84,275)	(19,638)
Sale of investments	153,462	62,995
Purchase of investments	(131,787)	(17,477)
Net cash from investing activities	(62,600)	25,880
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	273,000
Net cash from investing activities	-	273,000
Net increase in cash and cash equivalents	(681,457)	831,705
Cash and cash equivalents, beginning of year	1,009,668	177,963
Cash and cash equivalents, end of year	\$ 328,211	\$ 1,009,668

See accompanying notes to the consolidated financial statements.

# INTERFAITH ACTION OF GREATER SAINT PAUL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

### 1. ORGANIZATION

Established in 1906, Interfaith Action of Greater Saint Paul ("Interfaith Action"), is a nonprofit that serves approximately 700 faith organizations in the eastern metro surrounding Saint Paul, Minnesota, and serves approximately 4,000 people annually. Interfaith Action has an expanded interfaith focus: seek to bring people of faith together to relieve the effects of poverty and address its root causes through transformative volunteer work.

Interfaith Action believes that the most effective work in community involves two approaches: on-the-ground work making a difference in individuals' lives, and a systemic understanding and approach to the broader issues. The on-the-ground work ensures that the work is realistic and rooted in real peoples' real life experiences. The systemic work helps the program build approaches to make broad change.

The activities of Interfaith Action are supported primarily by contributions and government grants. The activities of the Foundation are supported by contributions and investment income.

**On-the-Ground Work.** Interfaith Action's on-the-ground work focuses in several core program areas:

- **Project Home.** Project Home provides more than 10,000 shelter-bed-nights per year in twenty-four congregations (twenty-two churches, one Catholic school, and one synagogue). This shelter is for families with children who are experiencing homelessness. Each house of worship transforms itself into a shelter for one month at a time. On the first of each month, Project Home arrives at the month's sites, bringing beds, linens, food, diapers, etc. Project Home's staff along with 4,000 volunteers provide a warm, welcoming home to our guests, who stay with us an average of 55 days as they work to secure a stable housing arrangement that is right for them. Due to the pandemic this portion of the program had to be put on hold during 2021. For the beginning of the year, the program was moved into a hotel instead of in the congregations' donated space. Beginning in March of 2021, Interfaith opened Provincial House, an emergency family shelter which provides 19,000 shelter-bed-nights per year and provides 24/7 shelter space.

(Continued)

# INTERFAITH ACTION OF GREATER SAINT PAUL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

### 1. ORGANIZATION (Continued)

- **Department of Indian Work (DIW).** DIW provides a wide array of welcoming services to the low-income Native American community in the east metro. We provide emergency services including a culturally specific food shelf and a clothing closet. We provide a kindergarten through 5<sup>th</sup> grade (K-5) culturally specific after-school program and a summer full-time program at Saint Paul's American Indian Magnet School (AIMS). And we provide a hard-hitting diabetes prevention and management program which includes popular cooking classes taught by a Native dietician using indigenous foods. Due to the pandemic in 2021, programming for DIW shifted significantly. The food shelf expanded its services and modified its method of providing access to be operated in accordance with health guidelines, which included scheduled food shelf pick-up and deliveries. DIW also opened a COVID hotline with CARES act funding in conjunction with the Minnesota Department Health in 2021.

**Systemic Work: Opportunity Saint Paul.** Interfaith Action's systemic work focuses on the building of an infrastructure of opportunity in the east metro. This work derives from concepts explained by MDC, a national nonprofit based in North Carolina, in its book, State of the South. Our primary systemic program is called Opportunity Saint Paul which matches volunteers from the faith community with carefully vetted, highly effective nonprofit organizations, and involves the volunteers and the nonprofit leaders in a deeply motivating learning community. This "corps" of interfaith, multi-racial, inter-generational volunteers will multiply the horsepower of the selected nonprofits, accomplishing three important goals: (1) providing effective service to build our community's infrastructure of opportunity; (2) educating and activating faith community volunteers; and (3) strengthening faith communities.

#### **Other Programs:**

Interfaith Action's on-the-ground work also includes:

- **Community Power-up.** A free walk-in legal clinic, where community members can speak to an attorney and receive legal advice and resources. This clinic is staffed by our local civil legal aid provider (Southern Minnesota Regional Legal Services [SMRLS]), and by a volunteer group of Jewish lawyers through the Cardozo Society. On Jewish holidays it is staffed by non-Jewish volunteer lawyers who cooperate with and support the project. Due to the pandemic in 2021, these services moved remote, offering assistance over the phone rather than in person. Interfaith Action also work with local legal aid provider to produce and post several educational videos during 2021.

(Continued)

# INTERFAITH ACTION OF GREATER SAINT PAUL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

### 1. ORGANIZATION (Continued)

- **Interfaith Youth Connection (IYC).** This program engages high school youth from many faiths in a year-long leadership program that culminates in a “day of service” on a college campus on Presidents’ Day each year. The youth learn about each other’s religions and engage in service work together.

#### **Interfaith Action of Greater Saint Paul Foundation.**

Interfaith Action is the only beneficiary of the Interfaith Action of Greater Saint Paul Foundation (Foundation). The purpose of the Foundation is to support the work of Interfaith Action by building up endowment funds by raising gifts and bequests whose income is only available for the general purposes of Interfaith Action.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** - The consolidated financial statements include Interfaith Action of Greater Saint Paul Foundation because Interfaith appoints the Foundation’s board members and has an economic interest in the Foundation. All significant inter-entity accounts and transactions have been eliminated.

**Financial Statement Presentation** - Interfaith Action reports information regarding its financial position and activities in the following net asset categories:

- *Net Assets Without Donor Restrictions* - Net assets available to use in general operations at the discretion of management and the board of directors and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Financial Information** - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functionalized expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with Interfaith Action's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**Cash and Cash Equivalents** - Interfaith Action considers all cash and highly liquid financial instruments with original maturities of three months or less, including money market mutual funds, to be cash and cash equivalents. At December 31, 2021 and 2020, Interfaith Action's uninsured cash balances was \$103,168 and \$775,816.

**Receivables** - Accounts and grants receivable are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance based on expected collections. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided.

**Pledges Receivable** - When a donor makes a promise to give that is, in substance, unconditional, the contribution is recognized. Pledges receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is not significant. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided.

**Inventory** - Inventory consists of donated food. Food is carried at on a weighted average wholesale price per pound. Expenses for the distribution of food inventory are included in supplies on the statement of function expenses.

**Investments** - Investments in marketable securities are reported at fair value. Net investment return is reported in the statement of activities and consists of interest and dividends, realized and unrealized gains and losses less external investment expenses.

(Continued)

# INTERFAITH ACTION OF GREATER SAINT PAUL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property and Equipment** - Property and equipment are carried at cost if purchased, and at fair value at the date of gift if donated. Additions with a cost of less than \$2,000 are expensed. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**Fiscal Sponsorship** - Interfaith Action periodically acts as a fiscal sponsor for projects that meet its mission. It accepts assets from donors and agrees to use those amounts for a specific purpose. Such agency amounts collected are recorded as net assets with donor restrictions until released to the project. There were no fiscal sponsorship relationships at June 30, 2021.

**Grants, Contracts, and Contributions Revenue Recognition** - Grants, contracts, and contributions from United States government agencies, foundations and public and private funders are recognized as revenue when the donor-imposed conditions, if any, have been met. A portion of Interfaith Action's revenue is derived from cost-reimbursable government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Interfaith Action has incurred expenditures in compliance with specific grant provisions. Expenditures under government grants are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Grants receivable represents expenditures made in accordance with the terms of the awards not yet reimbursed in cash. Deferred revenue represents funding received in advance of the incurrence of project expenditures. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts, grants or pledges receivable.

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Donated Materials and Services** - Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Functional Expenses** - Expenses directly attributed to a specific functional area of Interfaith Action are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Building/grounds, equipment, and depreciation are allocated based on a square footage, all other expense allocations are based on estimates of full time equivalents.

**Income Tax** - Interfaith Action and the Foundation are classified as tax-exempt organizations under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, are exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and are subject to income taxes only on net unrelated business income. The organizations did not have any unrelated business income for the years ended June 30, 2021 and 2020.

Management believes Interfaith Action and the Foundation have appropriate support for any tax positions taken, and accordingly, do not have any uncertain tax positions that are material to the financial statements. Interfaith Action and the Foundation would recognize any interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if incurred.

**Reclassifications** - Reclassifications were made to the 2020 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

(Continued)

**INTERFAITH ACTION OF GREATER SAINT PAUL**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

**3. LIQUIDITY AND AVAILABILITY**

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, consist of the following:

	2021	2020
Financial assets at year end:		
Cash and equivalents	\$ 328,211	\$ 1,009,668
Investments	126,758	-
Accounts receivable	2,401	1,870
Grants receivable – government	797,285	52,527
Pledges receivable – current portion	37,860	18,949
Endowment investments	1,021,859	820,785
	2,314,374	1,903,799
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,092,773)	(1,709,467)
Add amounts available to be used within one year:		
Endowment appropriation for the next year	38,408	32,796
Financial assets available (shortage) to meet general expenditures over the next 12 months	\$ 1,243,460	\$ 1,015,117

Interfaith Action’s objective is to distribute no more than 4% of a rolling four quarter market average of principal and appreciation from the donor-restricted fund endowment. Appropriations from the donor-restricted fund endowment are available for operations.

Interfaith Action is responsible to maintain resources to meet donor-imposed restrictions. These resources are unavailable for general expenditures.

As part of its liquidity management plan, the board of directors reviews financial reports and cash balances. Interfaith Action operates month to month through donations and funders.

Interfaith Action has two lines of credit, totaling \$475,000, from the Foundation to help manage short term cash shortfalls which are eliminated in the consolidated financial statements.

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

#### 4. PLEDGES RECEIVABLE

Pledges receivable are estimated to be collected as follows at June 30, 2021:

Within one year	\$ 37,860
In one to five years	<u>3,680</u>
	<u>\$ 41,540</u>

#### 5. FAIR VALUE MEASUREMENTS

Interfaith Action reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 - Unobservable inputs for the asset or liability. In these situations, the organization develops inputs using the best information available in the circumstances.

(Continued)

**INTERFAITH ACTION OF GREATER SAINT PAUL**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

**5. FAIR VALUE MEASUREMENTS (Continued)**

In instances where the determination of fair value is based on inputs from different levels of the fair value hierarchy, the fair value measurement is categorized within the lowest level input that is significant to the overall valuation.

Fair values of cash equivalents and investments measured on a recurring basis at June 30, are as follows:

	Fair value	Fair Value Measurement Using:		
		Level 1 inputs	Level 2 inputs	Level 3 inputs
<b>2021</b>				
Common stock	\$ 850,688	\$ 850,688	\$ -	\$ -
Corporate bonds	238,638	238,638	-	-
Collateralized mortgage obligations	11,009	11,009	-	-
REIT	10,095	10,095	-	-
	<u>1,110,430</u>	<u>\$ 1,110,430</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>38,187</u>			
Total investments	<u>\$ 1,148,617</u>			
<b>2020</b>				
Common stock	558,054	\$ 558,054	\$ -	\$ -
Corporate bonds	217,860	217,860	-	-
Collateralized mortgage obligations	16,946	16,946	-	-
REIT	9,080	9,080	-	-
	<u>\$ 801,940</u>	<u>\$ 801,940</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>18,845</u>			
Total investments	<u>\$ 820,785</u>			
		<u>2021</u>	<u>2020</u>	
Investments		\$ 126,758	\$ -	
Endowment investments		<u>1,021,859</u>	<u>820,785</u>	
		<u>\$ 1,148,617</u>	<u>\$ 820,785</u>	

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

#### 5. FAIR VALUE MEASUREMENTS (Continued)

Although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Investments consist of marketable securities and are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonable possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported on the statement of financial position.

There have been no changes in valuation technique and related inputs.

#### 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2021	2020	Estimated useful life in years
Land	\$ 15,000	\$ 15,000	-
Building and building improvements	1,335,028	1,335,028	5 - 40
Equipment	214,323	130,048	3 - 10
	<u>1,564,351</u>	<u>1,480,076</u>	
Less accumulated depreciation	<u>(969,456)</u>	<u>(906,391)</u>	
	<u>\$ 594,895</u>	<u>\$ 573,685</u>	

Depreciation expense was \$63,065 in 2021 and \$49,785 in 2020.

#### 7. GIFT ANNUITY PAYABLE

The Foundation has entered into an annuity agreement with an individual donor. The agreement requires the Foundation to make monthly payments of \$107 as long as either one of the donor's two children is alive. As part of the agreement, the Foundation received a contribution to be used for the purposes of Interfaith Action.

(Continued)

**INTERFAITH ACTION OF GREATER SAINT PAUL**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

**7. GIFT ANNUITY PAYABLE (Continued)**

The liability for the annuity payable represents the present value of estimated future payments. The liability is calculated as if it were a term loan with an interest rate of 8.2% with an annual loan payment of \$1,282 until the year 2062. The liability will be extinguished upon the second death. Five year maturities for the remaining annuity are approximately \$50 to \$69 per year with the balance due beyond the five years.

**8. LINE OF CREDIT**

Interfaith Action had a \$75,000 line of credit from Propel Nonprofits that matured February 28, 2021. Interest rate of 6.50%. Interest only payments due monthly. There were no advances on the line of credit at June 30, 2020.

**9. LONG-TERM DEBT**

Interfaith Action had a \$273,000 note payable to Sunrise Bank, dated April 21, 2020, with interest at 1.0%. The note was funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. This note was forgiven in February 2021.

**10. NET ASSETS**

Net assets with donor restrictions are for the following purposes:

	2021	2020
Department of Indian Work	\$ 273,616	\$ 172,358
Project Home	176,912	42,234
Project Home - Shelter Expansion	89,275	134,838
Opportunity Saint Paul	15,069	36,305
Other Programs:		
Community Power Ups	19,938	7,213
Mission Support	7,100	4,872
Economic Mobility Hub	15,100	-
Pledges restricted for future periods	18,240	32,224
Foundation endowment fund (See Note 12)	1,477,523	1,279,423
	\$ 2,092,773	\$ 1,709,467

(Continued)

# INTERFAITH ACTION OF GREATER SAINT PAUL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

### 11. ENDOWMENT

The Foundation has an endowment fund funded by donations from several individuals which are restricted in perpetuity to continue the wishes of the donors. Income generated by these assets is to be used for programs and operations of Interfaith Action and to maintain the endowment fund's purchasing power after inflation. Undistributed income is classified as net assets with donor restrictions.

Interfaith Action is subject to the Minnesota Prudent Management of Institutional Funds Act (MPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before releasing those net assets to net assets without donor restrictions.

The Board of Directors of Interfaith Action has interpreted MPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Interfaith Action considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Interfaith Action has interpreted MPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with MPMIFA, Interfaith Action considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

#### 11. ENDOWMENT (Continued)

Changes in endowment net assets with donor restrictions for the years ended June 30:

	2021	2020
Beginning of year	\$ 1,279,423	\$ 1,287,614
Investment return	252,559	49,765
Appropriations for expenditure	(54,459)	(57,956)
End of year	<u>\$ 1,477,523</u>	<u>\$ 1,279,423</u>

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies for endowment assets, approved by the Board of Directors, that attempt to provide a predictable stream of funding to support programs of Interfaith Action while also maintaining the purchasing power of endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to fund programs, while growing the funds, if possible.

Endowment assets have also been invested in two line of credit arrangements with Interfaith Action. The \$350,000 line of credit note payable requires interest-only payments at Prime, as published in the Wall Street Journal, plus one-half percent (3.75% at June 30, 2021). The maturity date is June 30, 2025. The second line of credit requires interest-only payments at 3%. The maturity date is June 30, 2027. The total outstanding balance at June 30, 2021 and 2020 was \$475,000. Interest on the lines of credit was \$16,875 in 2021 and \$20,812 in 2020. The lines of credit are secured by a mortgage on the land, building and other assets of Interfaith Action. The line of credit balances, related interest, and grant have been eliminated for purposes of consolidation.

(Continued)

# INTERFAITH ACTION OF GREATER SAINT PAUL

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

### 11. ENDOWMENT (Continued)

**Spending Policy and How the Investment Objectives Relate to Spending** - The Foundation uses the endowment earnings to help fund programs. The Foundation's current distribution policy is to distribute annually four percent of the average prior four quarterly balances of endowment fund investments. In addition, the Foundation policy allows for periodic annual additional discretionary grants, limited to a maximum two percent of the portfolio value. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, and the nature and duration of the endowment funds, all of which must be maintained in perpetuity because of donor restrictions.

### 12. CONTRIBUTED MATERIALS AND SERVICES

During the years ended June 30, 2021 and 2020, Interfaith Action recognized the following contributed materials and services:

	2021	2020
Program:		
Project Home shelter space	\$ -	\$ 255,051
Food shelf	44,079	108,758
Supplies for School Tools Drive	-	20,639
	<u>\$ 44,079</u>	<u>\$ 384,448</u>

Project Home, a program of Interfaith Action, partners with area faith communities to provide two 20 bed overnight family emergency shelters each month. Area faith communities donate their space and volunteer power to the program. The estimated value of the donated shelter space was \$33 per person for the year ended June 30, 2020. Due to the pandemic (Note 15), this portion of the program was put on hold in the year ended June 30, 2021.

Interfaith Action also operates a food shelf that received donated food and clothing from various sources. The estimated value of these donations was \$1.62 per pound for the year ended June 30, 2020. The valuation was determined by 2018 Feeding America in an annual study. Donated clothing is recorded at estimated \$1 per pound in 2020. In 2021, the food shelf donations were mostly put on hold due to the pandemic. The donation of clothes and personal protective equipment was recorded at estimated market value.

In addition, Interfaith Action received approximately 3,542 hours of direct volunteer support for various programs which have not been monetized for their in-kind value and recorded in the consolidated financial statements.

(Continued)

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

**13. RETIREMENT PLAN**

Interfaith Action participates in a multi-employer defined contribution plan of the Evangelical Lutheran Church in America (ELCA). A required contribution of 5% is made for all employees working over 1040 hours per calendar year. Payments are made for those still employed as of the last day of the quarter. Interfaith Action will also match voluntary employee contributions to the plan up to 100% of the employees' first 2% of defined compensation. Pension costs of \$58,917 and \$54,850 have been recognized for the years ended June 30, 2021 and 2020, respectively. Plan assets are held in a trust and are not subject to ERISA requirements.

**14. OPERATING LEASES**

Interfaith Action leases a copier under lease which expires in June 2025. Lease expense was \$11,532 and \$5,442 for the years ended June 30, 2021 and 2020.

Starting March 2021, Interfaith Action began leasing the Provincial House to provide a 24/7 shelter as part of Project Home. The lease expires on April 30, 2022 but will be automatically extended month-to-month after that unless the landlord gives Interfaith Action 6 months advance written notice of any change to the terms. Lease expense was \$122,620 for the year ended June 30, 2021.

Future minimum lease payments required for the years ending June 30 are as follows:

2022	\$	500,222
2023		9,744
2024		9,744
2025		9,744
		<hr/>
	\$	<u>529,454</u>

**15. COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES**

Interfaith Action has several grants that contain donor conditions (primarily that funds be expended for eligible costs before they are earned or received). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Interfaith Action has unearned conditional contributions of \$822,291 for Project Home and \$207,404 for DIW at June 30, 2021.

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

#### 15. **COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES (Continued)**

Approximately 33% of the Interfaith Action's support and 70% of receivables was from one donor in 2021.

In March 2020, the state of Minnesota began to enact measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures include regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. Interfaith Action has continued to provide services throughout the pandemic.

Interfaith Action modified many of its services to respond to these restrictions and the pandemic. The DIW food shelf expanded its services and modified its method of providing access to be operate in accordance with health guidelines which included scheduled food shelf pick-up and deliveries; DIW also opened a COVID hotline; Project Home's program to offer shelter-bed-nights in local congregations had to be put on hold; the program was moved from donated congregation space to paid hotel rooms and then later Interfaith opened Provincial House, an emergency family shelter which provides 24/7 shelter space; the Power-up clinics moved remote, offering assistance over the phone rather than in person; Interfaith Action worked with local legal aid provider to produce and post several educational videos; and the Bringing Faith to Life event transitioned into a virtual event in the fall of 2020.

Interfaith Action cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact financial markets, future events, and ultimately the financial statements. However possible effects may include, but are not limited to, a decline in the market value of assets held by the Organization including the endowment investments, and a negative impact on contributions.

#### 16. **SUBSEQUENT EVENTS**

Interfaith Action received approximately \$1M in funding for new programs in September 2021.

Interfaith Action sold their administrative building on October 1, 2021 for \$955,000 and entered into a 60-month lease for new office space.

Management has evaluated subsequent events through December 7, 2021, the date on which the consolidated financial statements were available for issue, and identified no further significant events or transactions to disclose.

## **SUPPLEMENTARY INFORMATION**

**INTERFAITH ACTION OF GREATER SAINT PAUL**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2021

	Interfaith Action	Foundation	Elimination	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 328,211	\$ -	\$ -	\$ 328,211
Investments	126,758	-	-	126,758
Accounts receivable	23,692	19,276	(40,567)	2,401
Grants receivable - government	797,285	-	-	797,285
Prepaid expenses	2,800	-	-	2,800
Pledges receivable - current portion	37,860	-	-	37,860
Total current assets	1,316,606	19,276	(40,567)	1,295,315
Other assets:				
Pledges receivable -less current portion	3,680	-	-	3,680
Endowment investments	-	1,021,859	-	1,021,859
Lines of credit receivable	-	475,000	(475,000)	-
Property and equipment, net	594,895	-	-	594,895
Other assets	14,581	-	-	14,581
Total assets	\$ 1,929,762	\$ 1,516,135	\$ (515,567)	\$ 2,930,330
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 114,220	\$ 23,692	\$ (23,692)	\$ 114,220
Accrued payroll and related	196,104	-	-	196,104
Accrued interest	16,875	-	(16,875)	-
Gift annuities payable	-	50	-	50
Total current liabilities	327,199	23,742	(40,567)	310,374
Long term liabilities:				
Gift annuity payable	-	14,870	-	14,870
Lines of credit	475,000	-	(475,000)	-
Total liabilities	802,199	38,612	(515,567)	325,244
Net assets:				
Without donor restrictions	512,313	-	-	512,313
With donor restrictions	615,250	1,477,523	-	2,092,773
Total net assets	1,127,563	1,477,523	-	2,605,086
Total liabilities and net assets	\$ 1,929,762	\$ 1,516,135	\$ (515,567)	\$ 2,930,330

See independent auditor's report.

**INTERFAITH ACTION OF GREATER SAINT PAUL**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Interfaith Action		Foundation		Eliminations	Total
	Without donor restriction	With donor restriction	Without donor restriction	With donor restriction		
Support and revenue:						
Support:						
Foundations/Corporations	\$ 244,292	\$ 420,973	\$ -	\$ -	\$ (32,796)	\$ 632,469
Government grants	1,921,505	210,312	-	-	-	2,131,817
Individuals	246,507	275,964	-	-	-	522,471
Contributed materials and services	44,079	-	-	-	-	44,079
Congregations	51,371	73,575	-	-	-	124,946
Investment income, net	23,077	-	-	252,559	(16,875)	258,761
Fees and rental	-	-	-	-	-	-
Loan forgiveness	273,000	-	-	-	-	273,000
Miscellaneous income	7,467	-	-	-	-	7,467
Net assets released from restrictions	795,618	(795,618)	54,459	(54,459)	-	-
Total revenues and support	<u>3,606,916</u>	<u>185,206</u>	<u>54,459</u>	<u>198,100</u>	<u>(49,671)</u>	<u>3,995,010</u>
Expenses:						
Programs:						
Project Home	1,364,794	-	-	-	-	1,364,794
Department of Indian Work	1,014,086	-	-	-	-	1,014,086
Opportunity Saint Paul	138,017	-	-	-	-	138,017
Interfaith Action of Greater Saint Paul	-	-	32,796	-	(32,796)	-
Other programs	22,691	-	-	-	-	22,691
Total programs expense	<u>2,539,588</u>	<u>-</u>	<u>32,796</u>	<u>-</u>	<u>(32,796)</u>	<u>2,539,588</u>
Supporting services:						
General and administrative	506,130	-	21,663	-	(16,875)	510,918
Fundraising	330,365	-	-	-	-	330,365
Total supporting services	<u>836,495</u>	<u>-</u>	<u>21,663</u>	<u>-</u>	<u>(16,875)</u>	<u>841,283</u>
Total expenses	<u>3,376,083</u>	<u>-</u>	<u>54,459</u>	<u>-</u>	<u>(49,671)</u>	<u>3,380,871</u>
Change in net assets	230,833	185,206	-	198,100	-	614,139
Net assets, beginning of year	281,480	430,044	-	1,279,423	-	1,990,947
Net assets, end of year	<u>\$ 512,313</u>	<u>\$ 615,250</u>	<u>\$ -</u>	<u>\$ 1,477,523</u>	<u>\$ -</u>	<u>\$ 2,605,086</u>

See independent auditor's report.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Interfaith Action			Foundation			Total
	Program	General and Administrative	Fundraising	Program	General and Administrative	Eliminations	
Salaries and wages	\$ 1,154,764	\$ 279,221	\$ 128,636	\$ -	\$ -	\$ -	\$ 1,562,621
Payroll taxes	84,266	18,236	10,512	-	-	-	113,014
Employee benefits	120,978	58,817	21,221	-	-	-	201,016
	<u>1,360,008</u>	<u>356,274</u>	<u>160,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,876,651</u>
Grant to Interfaith Action	-	-	-	32,796	-	(32,796)	-
Site rental fees	151,120	-	-	-	-	-	151,120
Supplies and services	425,368	-	31	-	-	-	425,399
Consulting/independent contractors	170,727	27,267	130,104	-	16,566	-	344,664
Partner organizations	6,247	-	-	-	-	-	6,247
Computer/telephone/internet	191,728	29,773	19,250	-	-	-	240,751
Client transportation	29,825	-	-	-	-	-	29,825
Building/grounds	111,988	4,813	5,704	-	-	-	122,505
Equipment	13,476	1,606	1,468	-	-	-	16,550
Travel/transportation	5,468	1,509	6	-	-	-	6,983
Laundry services	5,890	-	-	-	-	-	5,890
Professional development	2,522	1,042	145	-	-	-	3,709
Office supplies	5,981	12,943	3,953	-	-	-	22,877
Public relations/newsletter	26,632	-	-	-	-	-	26,632
Events and meetings	-	2,510	1,808	-	-	-	4,318
Payroll and bank fees	2	12,773	-	-	-	-	12,775
Bad debt	-	11,484	-	-	-	-	11,484
Interest expense	-	16,875	-	-	1,236	(16,875)	1,236
Depreciation	30,241	25,297	7,527	-	-	-	63,065
Other	2,365	1,964	-	-	3,861	-	8,190
	<u>\$ 2,539,588</u>	<u>\$ 506,130</u>	<u>\$ 330,365</u>	<u>\$ 32,796</u>	<u>\$ 21,663</u>	<u>\$ (49,671)</u>	<u>\$ 3,380,871</u>

See independent auditor's report

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2021

Federal Grantor/ Program Title/ Pass-through Grantor	Federal Assistance Listing Number	Award Amount	Federal Expenditures
<b>Department of Housing and Urban Development</b>			
Emergency Solutions Grant Program	14.231		
Passed through Ramsey County			
ESG		\$ 68,573	\$ 68,573
COVID: ESG-CV		814,720	<u>307,729</u>
<i>Total Department of Housing and Urban Development</i>			<u>376,302</u>
<b>Department of Treasury</b>			
Coronavirus Relief Fund	21.019		
COVID-19: Passed through Minnesota Department of Health		464,418	334,563
COVID-19: Passed through American Indian Cancer Association		172,500	<u>172,500</u>
<i>Total Department of Treasury</i>			<u>507,063</u>
<b>Department of Homeland Security:</b>			
Emergency Food and Shelter National Board Program			
Direct program:			
Phase 37	97.024	43,624	43,624
COVID-19: Phase CARES		45,167	45,167
Phase 38		52,002	<u>26,001</u>
<i>Total Department of Homeland Security</i>			<u>114,792</u>
<b>Total</b>			<u>\$ 998,157</u>

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Interfaith Action of Greater Saint Paul under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Interfaith Action of Greater Saint Paul, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Interfaith Action of Greater Saint Paul.

#### **Note 2. Summary of Significant Accounting Policies**

- (1) Expenditures reported on the 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.
- (2) Pass-through entity identifying numbers are presented where available.

#### **Note 3. De Minimis Indirect Cost Rate**

Interfaith Action of Greater Saint Paul has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

To the Board of Directors  
Interfaith Action of Greater Saint Paul  
Saint Paul, Minnesota

We have audited the consolidated financial statements of Interfaith Action of Greater Saint Paul (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 7, 2021. We conducted our audit 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Interfaith Action of Greater Saint Paul’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 Interfaith Action of Greater Saint Paul’s internal control. Accordingly, we do not express an opinion on the effectiveness of Interfaith Action of Greater Saint Paul’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.

(Continued)

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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Interfaith Action of Greater Saint Paul'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 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**

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.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

December 7, 2021



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

To the Board of Directors  
Interfaith Action of Greater Saint Paul  
Saint Paul, Minnesota

### **Report on Compliance for the Major Federal Program**

We have audited Interfaith Action of Greater Saint Paul's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Interfaith Action of Greater Saint Paul's major federal program for the year ended June 30, 2021. Interfaith Action of Greater Saint Paul's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Interfaith Action of Greater Saint Paul's major federal program based on our audit of the types of compliance requirements referred to above. 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* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Interfaith Action of Greater Saint Paul's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Interfaith Action of Greater Saint Paul's compliance.

(Continued)

***Opinion on the Major Federal Program***

In our opinion, Interfaith Action of Greater Saint Paul complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002. Our opinion on the major federal program is not modified with respect to these matters.

Interfaith Action of Greater Saint Paul's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Interfaith Action of Greater Saint Paul's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Interfaith Action of Greater Saint Paul is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Interfaith Action of Greater Saint Paul's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interfaith Action of Greater Saint Paul's 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.

(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002 and 2021-003, that we consider to be significant deficiencies.

Interfaith Action of Greater Saint Paul's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Interfaith Action of Greater Saint Paul's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

December 7, 2021

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2021

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued	Unmodified		
“Going concern” emphasis-of-matter paragraph included in the auditor's report?	_____	yes	_____ <u>X</u> no
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ <u>X</u>	yes	_____ no
• Significant deficiency(s) identified?	_____	yes	_____ <u>X</u> none reported
Noncompliance material to consolidated financial statements noted?	_____	yes	_____ <u>X</u> no

**FEDERAL AWARDS**

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes	_____ <u>X</u> no
• Significant deficiency(s) identified?	_____ <u>X</u>	yes	_____ 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 section 200.516(a)?	_____ <u>X</u>	yes	_____ no
Identification of major programs:	Assistance Listing Number 21.019 – Coronavirus Relief Fund		
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 750,000</u>		
Auditee qualified as low-risk auditee?	_____	yes	_____ <u>X</u> no

(Continued)

# INTERFAITH ACTION OF GREATER SAINT PAUL

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

### SECTION II – FINDINGS – CONSOLIDATED FINANCIAL STATEMENTS AUDIT

#### 2021-001 Lack of Segregation of Duties

##### Material Weakness

Criteria – Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Interfaith Action. A key element of internal control is the segregation of incompatible duties.

Condition – Interfaith Action has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Context – One individual had the ability to perform the complete cash disbursement and cash receipts process. Also, one individual prepared several supporting schedules and records journal entries which are not reviewed by anyone else.

Cause – Due to the pandemic in 2021, Interfaith Action switched to a remote working environment. This meant that established processes had to be modified to allow for social distancing and remote work. To allow for this, only one individual would go to the office to open the mail, make deposits, and pay checks. The individual was the same individual who enters transactions in the accounting system. Also, the Director of Finance and Administration prepares several schedules and records journal entries. This information is not reviewed as there is no other knowledgeable individual available to review the work.

Effect – As a result of this condition, Interfaith Action is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation – We recommend that Interfaith Action review the changes made to the process due to the remote working environment and identify where they can either return to proper segregation of duties, or implement a sufficiently compensating control – i.e. review of transactions by knowledgeable individuals on a timely basis including a review of transaction details and supporting documentation.

Auditee's comments and response – The duties will be kept separated as much as possible and alternative controls will continue to be used to compensate for lack of separation, including a change in check signer authority and process. In addition, the determination of restrictions on donations has been moved to the Development department. The governing board will continue to be involved in monitoring financial reports and activities to ensure oversight to help compensate for the lack of segregation as some of these alternative controls.

(Continued)

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2021

Responsible party for corrective action: Peter S. Olsen – Director of Finance and Administration

Repeat Finding – No

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

**2021-002 Written Financial Policies Not Compliant with Uniform Guidance**

Federal Departments: All Programs

Pass Through Agency: All Programs

CFDA #: All Programs

Significant Deficiency & Noncompliance

Category of Finding – Other

Criteria – The Uniform Guidance requires that nonfederal entities establish certain written policies and procedures or standards of conduct to help ensure the entity’s compliance with the terms and conditions of its federal awards as dictated by §200.302 Financial Management, §200.305 Payment (Cash Management), and §200.320 Methods of Procurement to be Followed.

Condition – Interfaith Action’s written policies and procedures are not in compliance with these requirements. Specifically, the written financial policies do not address procurement process limits and documentation as required by the standards, and the financial policies and procedures do not allow for the ability to track expenses and revenue directly to identify the source and application of funds for federally funded activities.

Cause – Interfaith Action never had a single audit before as it did not receive significant federal funding. When the Interfaith Action received a significant amount of pass through federal funding during the year they were not aware originally made aware that the underlying funding was federal so they were not aware they would require a single audit and needed to update their policies.

Effect – Without documented policies, the risk of noncompliance with grant awards increases.

Recommendation – We recommend that, if Interfaith Action intends to keep receiving federal funds, the Organization review the requirements in Uniform Guidance and update their policies and procedures to be compliant with these requirements. Especially in regard to implementing processes to track revenue and expenses by grant.

(Continued)

## INTERFAITH ACTION OF GREATER SAINT PAUL

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Management's Response and Corrective Action – Management has contracted with an independent contractor familiar with the Uniform Guidance who has provided a template that management will tailor to its needs. The template encompasses the entirety of the policies needed at this time and formalizes it into one manual that will be shared with those employees who have purchasing authority, along with training.

Responsible party for corrective action: Peter S. Olsen – Director of Finance and Administration

Repeat Finding – No

#### **2021-003 Lack of Review for Program Reports**

Federal Departments: Department of Treasury

Pass Through Agency: American Indian Cancer Association and Minnesota Department of Health

CFDA #: 21.019 Coronavirus Relief Fund

Significant Deficiency

Category of Finding – Reporting

Criteria – Good internal controls require review of work performed as part of the monitoring control.

Condition – Interfaith Action's does not an established review process regarding program reports, which resulted in times where reports were not reviewed by anyone other than the preparer.

Cause – The program is new and some of the reporting requirements are unusual, so the Program Director prepared the reports and there was no other knowledgeable individual available to review her work.

Effect – Error or misstatements could have been reported and not discovered.

Recommendation – We recommend Interfaith Action adopt a consistent process across programs and grants in regards to preparing and reviewing program reports, so that a knowledgeable individual other than the preparer review the program reports for errors or misstatement before they are submitted to grantors.

Management's Response and Corrective Action – The Senior Leadership Team has restructured its process to provide for a review of all program reports, including those that are prepared by members of the Senior Leadership Team.

Responsible party for corrective action: Peter S. Olsen – Director of Finance and Administration

Repeat Finding – No

(Continued)

**INTERFAITH ACTION OF GREATER SAINT PAUL**

**CORRECTIVE ACTION PLAN (UNAUDITED)**

For the Year Ended June 30, 2021

**2021-001 Lack of Segregation of Duties**

Material Weakness

Name of contact person – Peter S. Olsen, Director of Finance and Administration

Corrective action – The duties will be kept separated as much as possible and alternative controls will continue to be used to compensate for lack of separation, including a change in check signer authority and process. In addition, the determination of restrictions on donations has been moved to the Development department. The governing board will continue to be involved in monitoring financial reports and activities to ensure oversight to help compensate for the lack of segregation as some of these alternative controls.

Proposed completion date – Management and the Board of Directors will implement the above procedures immediately.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

**2021-002 Written Financial Policies Not Compliant with Uniform Guidance**

Significant Deficiency & Noncompliance

Name of contact person – Peter S. Olsen, Director of Finance and Administration

Corrective action – Management has contracted with an independent contractor familiar with the Uniform Guidance who has provided a template that management will tailor to its needs. The template encompasses the entirety of the policies needed at this time and formalizes it into one manual that will be shared with those employees who have purchasing authority, along with training.

Proposed completion date – The Operations Committee of the Board of Directors will be reviewing and approving these policies at the January 22, 2022 meeting

(Continued)

**2021-003 Lack of Review for Program Reports**

Significant Deficiency

Name of contact person: Peter S. Olsen, Director of Finance and Administration

Corrective Action: The Senior Leadership Team has restructured its process to provide for a review of all program reports, including those that are prepared by members of the Senior Leadership Team.

Proposed completion date: The Senior Leadership Team of the organization will implement the above procedures immediately.