



INTERFAITH ACTION OF GREATER SAINT PAUL

**CONSOLIDATED
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2022**



INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, 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.

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, 2022, 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 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. Our responsibility 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 Interfaith Action of Greater Saint Paul 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 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, 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Interfaith Action of Greater Saint Paul's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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, including omissions, 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 consolidated 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 consolidated 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 Interfaith Action of Greater Saint Paul'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Interfaith Action of Greater Saint Paul'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 Information

Management is responsible for the other information included in the impact sheet. The other information comprises the information included in the impact sheet but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on that work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

(Continued)

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Interfaith Action of Greater Saint Paul has adopted Accounting Standards Updates (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to those matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited Interfaith Action of Greater Saint Paul's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 22 through 24 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022, 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.

December 2, 2022

Mahoney Ulbrich
Christiansen & Russ, PA

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,723,924	\$ 328,211
Investments	66,908	126,758
Accounts receivable	3,726	2,401
Grants receivable - government	632,757	797,285
Prepaid expenses	-	2,800
Pledges receivable - current portion	306,600	37,860
Total current assets	2,733,915	1,295,315
Other assets:		
Pledges receivable - less current portion	1,568	3,680
Endowment investments	1,287,596	1,021,859
Property and equipment, net	142,105	594,895
Other assets	33,310	14,581
Total assets	\$ 4,198,494	\$ 2,930,330
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 63,541	\$ 114,220
Accrued payroll and related	245,340	196,104
Refundable advances	55,772	-
Gift annuity payable	55	50
Total current liabilities	364,708	310,374
Long-term liability:		
Gift annuity payable	14,815	14,870
Total long-term liabilities	14,815	14,870
Total liabilities	379,523	325,244
Net assets:		
Without donor restrictions	836,565	512,313
With donor restrictions	2,982,406	2,092,773
Total net assets	3,818,971	2,605,086
Total liabilities and net assets	\$ 4,198,494	\$ 2,930,330

See accompanying notes to the consolidated financial statements.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Support:				
Foundations/Corporations	\$ 178,389	\$ 1,490,399	\$ 1,668,788	\$ 632,469
Government grants	2,268,382	26,001	2,294,383	2,131,817
Individuals	265,032	424,524	689,556	522,471
Contributed materials and services	33,830	-	33,830	44,079
Congregations	48,462	54,938	103,400	124,946
Sponsorships	4,000	-	4,000	-
Return on investments, net	(21,591)	(181,322)	(202,913)	258,761
Loan forgiveness	-	-	-	273,000
Net gain on sale of property	411,562	-	411,562	-
Miscellaneous income	4,363	-	4,363	7,467
Interest on loan from Foundation	(4,266)	4,266	-	-
Net assets released from restrictions	929,173	(929,173)	-	-
Total support and revenues	<u>4,117,336</u>	<u>889,633</u>	<u>5,006,969</u>	<u>3,995,010</u>
Expenses:				
Programs:				
Project Home	1,856,947	-	1,856,947	1,364,794
Department of Indian Work	855,993	-	855,993	1,014,086
Opportunity Saint Paul	153,772	-	153,772	138,017
Other programs	69,789	-	69,789	22,691
Total programs expense	<u>2,936,501</u>	<u>-</u>	<u>2,936,501</u>	<u>2,539,588</u>
Supporting services:				
General and administrative	514,110	-	514,110	510,918
Fundraising	342,473	-	342,473	330,365
Total supporting services	<u>856,583</u>	<u>-</u>	<u>856,583</u>	<u>841,283</u>
Total expenses	<u>3,793,084</u>	<u>-</u>	<u>3,793,084</u>	<u>3,380,871</u>
Change in net assets	324,252	889,633	1,213,885	614,139
Net assets, beginning of year	<u>512,313</u>	<u>2,092,773</u>	<u>2,605,086</u>	<u>1,990,947</u>
Net assets, end of year	<u>\$ 836,565</u>	<u>\$ 2,982,406</u>	<u>\$ 3,818,971</u>	<u>\$ 2,605,086</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, 2022

	2022								
	Project Home	Department of Indian Work	Opportunity Saint Paul	Other Programs	Total Programs	Supporting Services		Total	2021
						General and Administrative	Fundraising		
Salaries and wages	\$ 642,523	\$ 312,549	\$ 100,579	\$ 24,601	\$ 1,080,252	\$ 216,208	\$ 195,741	\$ 1,492,201	\$ 1,562,621
Payroll taxes	45,044	22,534	5,282	1,882	74,742	16,921	10,972	102,635	113,014
Employee benefits	115,360	23,902	15,323	-	154,585	59,453	21,270	235,308	201,016
	<u>802,927</u>	<u>358,985</u>	<u>121,184</u>	<u>26,483</u>	<u>1,309,579</u>	<u>292,582</u>	<u>227,983</u>	<u>1,830,144</u>	<u>1,876,651</u>
Site rental fees	682,804	98,721	-	-	781,525	4,529	-	786,054	151,120
Supplies and services	156,239	235,138	1,392	1,188	393,957	-	-	393,957	425,399
Consulting/independent contractors	12,206	25,447	12,175	26,264	76,092	82,033	81,328	239,453	344,664
Partner organizations	-	-	-	10,478	10,478	-	-	10,478	6,247
Computer/telephone/internet	64,130	32,178	13,210	4,988	114,506	32,546	18,601	165,653	240,751
Client transportation	2,356	4,723	-	-	7,079	-	-	7,079	29,825
Building/grounds	100,181	37,983	2,539	228	140,931	30,841	3,563	175,335	122,505
Equipment	14,482	3,588	1,739	3	19,812	2,600	1,767	24,179	16,550
Travel/transportation	4,013	394	582	-	4,989	1,408	-	6,397	6,983
Laundry services	8,630	25	-	-	8,655	-	-	8,655	5,890
Professional development	4,682	2,463	175	3	7,323	2,588	152	10,063	3,709
Office supplies	1,558	12,468	95	116	14,237	7,699	495	22,431	22,877
Public relations/newsletter	194	40,578	-	-	40,772	-	-	40,772	26,632
Events and meetings	-	-	-	-	-	3,585	6,952	10,537	4,318
Payroll and bank fees	8	-	-	-	8	14,323	-	14,331	12,775
Bad debt	-	-	-	-	-	-	-	-	11,484
Interest expense	-	-	-	-	-	1,232	-	1,232	1,236
Depreciation	2,534	3,302	681	38	6,555	38,144	1,632	46,331	63,065
Other	3	-	-	-	3	-	-	3	8,190
	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>8,190</u>
Total program costs	<u>\$ 1,856,947</u>	<u>\$ 855,993</u>	<u>\$ 153,772</u>	<u>\$ 69,789</u>	<u>\$ 2,936,501</u>	<u>\$ 514,110</u>	<u>\$ 342,473</u>	<u>\$ 3,793,084</u>	<u>\$ 3,380,871</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, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,213,885	\$ 614,139
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	46,331	63,065
Loan forgiveness	-	(273,000)
Net gain on sale of property	(411,562)	-
Donated stock	-	(104,574)
Unrealized losses (gains) on investments	250,179	(244,933)
Changes in operating assets and liabilities:		
Accounts and grants receivable	163,203	(745,289)
Prepaid expenses	2,800	-
Pledges receivable	(266,628)	(9,316)
Inventory	-	1,700
Other asset	(18,729)	(14,581)
Accounts payable	(50,679)	93,627
Accrued payroll and related	49,236	61,737
Deferred revenue	55,772	(61,386)
Annuity payable	(50)	(46)
Net cash from operating activities	1,033,758	(618,857)
Cash flows from investing activities:		
Purchase of property and equipment	(71,162)	(84,275)
Proceeds from sale of property and equipment	889,183	-
Sale of investments	108,090	153,462
Purchase of investments	(564,156)	(131,787)
Net cash from investing activities	361,955	(62,600)
Net increase (decrease) in cash and cash equivalents	1,395,713	(681,457)
Cash and cash equivalents, beginning of year	328,211	1,009,668
Cash and cash equivalents, end of year	\$ 1,723,924	\$ 328,211

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, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION

Interfaith Action of Greater Saint Paul collaborates with over 150 organizations -- including dozens of nonprofit partners and more than 100 faith communities -- working together to relieve the effects of poverty and address its root causes. We employ an interfaith, multi-racial, inter-generational approach to on-the-ground and systemic solutions. Our programs work together to stabilize families and move them forward to self-reliance. We provide for basic needs and for pathways to economic mobility.

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 Overnight Shelters & Day Center (PH)** has provided shelter and supportive services for homeless low-income families with minor children for 25 years. Our shelter and day center are in one location, providing safe social distancing and privacy for families. We provide meals, snacks, school bus pickup and supportive services. In FY22 PH served 128 families, a total of 409 individuals, and provided more than 24,500 meals. We provided 23,458 shelter bed nights for families experiencing homelessness.
- **Department of Indian Work (DIW)** serving 25,000 individuals per year, has the only culturally specific food shelf for American Indians in Ramsey County; a trauma-informed, student-centered afterschool and summer program for American Indian youth; a clothing closet; social service referrals and screenings for public benefits.
- **Opportunity Saint Paul (OSP)** matches volunteers with our nonprofit partners to provide tutoring, legal services, job coaching, mentoring and adult education to change the trajectory of people's lives. In FY22, OSP volunteers provided 2,948 hours of service to our partners.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION (Continued)

Other Programs:

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

- **Power-up Legal Clinics** provide free legal consultations with volunteer attorneys twice monthly on topics ranging from expungements to eviction assistance. The clinic is staffed by our local civil legal aid provide (Southern Minnesota Regional Legal Services) and by the Cardozo Society.

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. Distributions are made in accordance with the Foundation's distribution policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted - In 2022, Interfaith Action adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including: disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

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.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021, 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, 2022 and 2021, Interfaith Action's uninsured cash balances was approximately \$1,570,000 and \$103,168.

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.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$5,000 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.

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. Refundable advances 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. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services - Donated materials are recorded as contributions at their estimated fair market value based on current rates for similar material in the period received. Donated services are recorded as contributions at their estimated fair value based on current rates for similar services 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. Fair value is estimated by management by reference to the appropriate market and type of goods and services donated. Interfaith Action utilizes donated goods and services in its programs and operations or according to any donor restrictions.

During the years ended June 30, , Interfaith Action recognized \$33,830 and \$44,079 of contributed clothes for the DIW program.

Interfaith Action regularly receives donated services from many volunteers. However, no amounts have been recognized for these services because they do not meet the criteria described above.

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 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, 2022 and 2021.

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.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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:

	2022	2021
Financial assets at year end:		
Cash and equivalents	\$ 1,723,924	\$ 328,211
Investments	66,908	126,758
Accounts receivable	3,726	2,401
Grants receivable – government	632,757	797,285
Pledges receivable – current portion	306,600	37,860
Endowment investments	1,287,596	1,021,859
	4,021,511	2,314,374
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,982,406)	(2,092,773)
Add amounts available to be used within one year:		
Endowment appropriation for the next year	53,395	38,408
Financial assets available (shortage) to meet general expenditures over the next 12 months	\$ 1,092,500	\$ 260,009

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. In August 2023, this was amended to no more than 5% of a rolling sixteen 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.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

4. PLEDGES RECEIVABLE

Pledges receivable are estimated to be collected as follows at June 30, 2022:

Within one year	\$ 306,600
In one to five years	<u>1,568</u>
	<u>\$ 308,168</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, 2022
(With Comparative Totals for 2021)

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
2022				
Common stock	\$ 903,085	\$ 903,085	\$ -	\$ -
Corporate bonds	439,462	439,462	-	-
Collateralized mortgage obligations	3,694	3,694	-	-
	<u>1,346,241</u>	<u>\$ 1,346,241</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>8,263</u>			
Total investments	<u>\$ 1,354,504</u>			
2021				
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>			

Reconciliation to the statement of financial position:

	2022	2021
Investments	\$ 66,908	\$ 126,758
Endowment investments	1,287,596	1,021,859
	<u>\$ 1,354,504</u>	<u>\$ 1,148,617</u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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:

	2022	2021	Estimated useful life in years
Land	\$ -	\$ 15,000	-
Building and building improvements	-	1,335,028	5 - 40
Equipment	217,487	214,323	3 - 10
	<u>217,487</u>	<u>1,564,351</u>	
Less accumulated depreciation	<u>(75,382)</u>	<u>(969,456)</u>	
	<u>\$ 142,105</u>	<u>\$ 594,895</u>	

Depreciation expense was \$46,331 in 2022 and \$63,065 in 2021.

During October 2022, Interfaith Action sold their office building for \$889,183 and disposed of most of the equipment. A net gain of \$411,562 was recorded on the sale of the office and disposal of the equipment.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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.

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 \$55 to \$69 per year with the balance due beyond the five years.

8. DEBT

Interfaith Action had a \$273,000 note payable to Sunrise Bank, 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.

9. NET ASSETS

Net assets with donor restrictions are for the following purposes:

	2022	2021
Department of Indian Work	\$ 783,975	\$ 273,616
Project Home	204,809	176,912
Project Home - Shelter Expansion	23,623	89,275
Opportunity Saint Paul	27,625	15,069
Other Programs:		
Community Power Ups	21,985	19,938
Mission Support	4,719	7,100
Economic Mobility Hub	635,510	15,100
Pledges restricted for future periods	16,590	18,240
Foundation endowment fund (See Note 10)	1,248,570	1,477,523
Foundation general operations	15,000	-
	<u>\$ 2,982,406</u>	<u>\$ 2,092,773</u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

10. 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, 2022
(With Comparative Totals for 2021)

10. ENDOWMENT (Continued)

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

	<u>2022</u>	<u>2021</u>
Beginning of year	\$ 1,477,523	\$ 1,279,423
Investment return	(177,056)	252,559
Contributions	8,173	-
Appropriations for expenditure	<u>(60,070)</u>	<u>(54,459)</u>
End of year	<u>\$ 1,248,570</u>	<u>\$ 1,477,523</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 were also invested in two line of credit arrangements with Interfaith Action. The \$350,000 line of credit note payable required interest-only payments at Prime, as published in the Wall Street Journal, plus one-half percent (3.75% at October 1, 2021). The second line of credit required interest-only payments at 3%. The total outstanding balance at June 30, 2021 was \$475,000. The lines of credit were paid in full through proceeds from the sale of property on October 1, 2021. Interest on the lines of credit was \$4,266 in 2022 and \$16,875 in 2021. 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, 2022
(With Comparative Totals for 2021)

10. 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.

11. 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 \$75,149 and \$58,917 have been recognized for the years ended June 30, 2022 and 2021, respectively. Plan assets are held in a trust and are not subject to ERISA requirements.

12. OPERATING LEASES

Interfaith Action leases a copier under a lease which expires in June 2025. Lease expense was \$13,170 and \$11,532 for the years ended June 30, 2022 and 2021.

Starting March 2021, Interfaith Action began leasing the Provincial House to provide a 24/7 shelter as part of Project Home. The lease expired on May 31, 2022 and automatically extended month-to-month. The landlord has the right to give Interfaith Action 6 months advance written notice of any change to the terms. Starting October 2021, Interfaith Action began leasing office space for DIW. The lease expires in September 2026. Site rental expense under these leases were \$777,606 and \$122,620 in 2022 and 2021.

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

2023	\$	187,375
2024		163,485
2025		158,444
2026		164,178
2027		38,968
	\$	<u>712,450</u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

13. **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 \$517,921 for Project Home and \$260,528 for DIW at June 30, 2022. \$55,772 of the DIW conditional contributions are reported as refundable advances at June 30, 2022.

Approximately 39% and 33% of the Interfaith Action's support and 51% and 70% of receivables was from one donor in 2022 and 2021. Another donor made up 11% of support and two other donors make up 44% of receivables in 2022.

14. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 2, 2022, 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, 2022

	<u>Interfaith Action</u>	<u>Foundation</u>	<u>Elimination</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,723,924	\$ -	\$ -	\$ 1,723,924
Investments	66,908	-	-	66,908
Accounts receivable	33,406	3,726	(33,406)	3,726
Grants receivable - government	632,757	-	-	632,757
Pledges receivable - current portion	306,600	20,524	(20,524)	306,600
Total current assets	<u>2,763,595</u>	<u>24,250</u>	<u>(53,930)</u>	<u>2,733,915</u>
Other assets:				
Pledges receivable - less current portion	1,568	-	-	1,568
Endowment investments	-	1,287,596	-	1,287,596
Property and equipment, net	142,105	-	-	142,105
Other assets	33,310	-	-	33,310
Total assets	<u>\$ 2,940,578</u>	<u>\$ 1,311,846</u>	<u>\$ (53,930)</u>	<u>\$ 4,198,494</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 84,065	\$ 33,406	\$ (53,930)	\$ 63,541
Accrued payroll and related	245,340	-	-	245,340
Refundable advances	55,772	-	-	55,772
Gift annuities payable	-	55	-	55
Total current liabilities	<u>385,177</u>	<u>33,461</u>	<u>(53,930)</u>	<u>364,708</u>
Long term liabilities:				
Gift annuity payable	-	14,815	-	14,815
Total liabilities	<u>385,177</u>	<u>48,276</u>	<u>(53,930)</u>	<u>379,523</u>
Net assets:				
Without donor restrictions	836,565	15,000	(15,000)	836,565
With donor restrictions	1,718,836	1,248,570	15,000	2,982,406
Total net assets	<u>2,555,401</u>	<u>1,263,570</u>	<u>-</u>	<u>3,818,971</u>
Total liabilities and net assets	<u>\$ 2,940,578</u>	<u>\$ 1,311,846</u>	<u>\$ (53,930)</u>	<u>\$ 4,198,494</u>

See independent auditor's report.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Interfaith Action		Foundation		Eliminations	Total
	Without donor restriction	With donor restriction	Without donor restriction	With donor restriction		
Support and revenue:						
Support:						
Foundations/Corporations	\$ 216,607	\$ 1,490,399	\$ -	\$ -	\$ (38,218)	\$ 1,668,788
Government grants	2,268,382	26,001	-	-	-	2,294,383
Individuals	265,032	401,351	15,000	8,173	-	689,556
Contributed materials and services	33,830	-	-	-	-	33,830
Congregations	48,462	54,938	-	-	-	103,400
Sponsorships	4,000	-	-	-	-	4,000
Return on investments, net	(21,591)	-	-	(177,056)	(4,266)	(202,913)
Net gain on sale of property	411,562	-	-	-	-	411,562
Miscellaneous income	4,363	-	-	-	-	4,363
Net assets released from restrictions	869,103	(869,103)	60,070	(60,070)	-	-
Total revenues and support	4,099,750	1,103,586	75,070	(228,953)	(42,484)	5,006,969
Expenses:						
Programs:						
Project Home	1,856,947	-	-	-	-	1,856,947
Department of Indian Work	855,993	-	-	-	-	855,993
Opportunity Saint Paul	153,772	-	-	-	-	153,772
Interfaith Action of Greater Saint Paul	-	-	38,218	-	(38,218)	-
Other programs	69,789	-	-	-	-	69,789
Total programs expense	2,936,501	-	38,218	-	(38,218)	2,936,501
Supporting services:						
General and administrative	496,524	-	21,852	-	(4,266)	514,110
Fundraising	342,473	-	-	-	-	342,473
Total supporting services	838,997	-	21,852	-	(4,266)	856,583
Total expenses	3,775,498	-	60,070	-	(42,484)	3,793,084
Change in net assets	324,252	1,103,586	15,000	(228,953)	-	1,213,885
Net assets, beginning of year	512,313	615,250	-	1,477,523	-	2,605,086
Net assets, end of year	\$ 836,565	\$ 1,718,836	\$ 15,000	\$ 1,248,570	\$ -	\$ 3,818,971

See independent auditor's report.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Interfaith Action			Foundation		Eliminations	Total
	Program	General and Administrative	Fundraising	Program	General and Administrative		
Salaries and wages	\$ 1,080,252	\$ 216,208	\$ 195,741	\$ -	\$ -	\$ -	\$ 1,492,201
Payroll taxes	74,742	16,921	10,972	-	-	-	102,635
Employee benefits	154,585	59,453	21,270	-	-	-	235,308
	<u>1,309,579</u>	<u>292,582</u>	<u>227,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,830,144</u>
Grant to Interfaith Action	-	-	-	38,218	-	(38,218)	-
Site rental fees	781,525	4,529	-	-	-	-	786,054
Supplies and services	393,957	-	-	-	-	-	393,957
Consulting/independent contractors	76,092	65,313	81,328	-	16,720	-	239,453
Partner organizations	10,478	-	-	-	-	-	10,478
Computer/telephone/internet	114,506	32,546	18,601	-	-	-	165,653
Client transportation	7,079	-	-	-	-	-	7,079
Building/grounds	140,931	26,941	3,563	-	3,900	-	175,335
Equipment	19,812	2,600	1,767	-	-	-	24,179
Travel/transportation	4,989	1,408	-	-	-	-	6,397
Laundry services	8,655	-	-	-	-	-	8,655
Professional development	7,323	2,588	152	-	-	-	10,063
Office supplies	14,237	7,699	495	-	-	-	22,431
Public relations/newsletter	40,772	-	-	-	-	-	40,772
Events and meetings	-	3,585	6,952	-	-	-	10,537
Payroll and bank fees	8	14,323	-	-	-	-	14,331
Bad debt	-	-	-	-	-	-	-
Interest expense	-	4,266	-	-	1,232	(4,266)	1,232
Depreciation	6,555	38,144	1,632	-	-	-	46,331
Other	3	-	-	-	-	-	3
	<u>\$ 2,936,501</u>	<u>\$ 496,524</u>	<u>\$ 342,473</u>	<u>\$ 38,218</u>	<u>\$ 21,852</u>	<u>\$ (42,484)</u>	<u>\$ 3,793,084</u>

See independent auditor's report

INTERFAITH ACTION OF GREATER SAINT PAUL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/ Program Title/ Pass-through Grantor	Federal Assistance Listing Number	Award Amount	Federal Expenditures
Department of Housing and Urban Development			
Emergency Solutions Grant Program	14.231		
Passed through Ramsey County			
ESG		\$ 70,000	\$ 70,000
COVID: ESG-CV		1,314,504	<u>1,000,086</u>
			<u>1,070,086</u>
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants Program:			
Passed through Ramsey County			
CDBG-CV	14.218	377,456	<u>172,700</u>
<i>Total Department of Housing and Urban Development</i>			<u>1,242,786</u>
Department of Treasury			
Coronavirus Relief Fund	21.019		
COVID-19: Passed through Minnesota Department of Health		739,275	257,361
Coronavirus State and Local Fiscal Recovery Funds	21.027		
American Rescue Plan Act Food Support		250,000	250,000
American Rescue Plan Act Food Support		13,417	<u>13,417</u>
			<u>263,417</u>
<i>Total Department of Treasury</i>			<u>520,778</u>
Department of Homeland Security:			
Emergency Food and Shelter National Board Program			
Direct program:			
Phase 38	97.024	52,002	<u>26,001</u>
<i>Total Department of Homeland Security</i>			<u>26,001</u>
Total			<u><u>\$ 1,789,565</u></u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

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, 2022. 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.

(Continued)



**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 financial statements of Interfaith Action of Greater Saint Paul (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 2, 2022. 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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interfaith Action of Greater Saint Paul’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. 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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Mahoney Ulbrich
Christiansen & Russ, PA

December 2, 2022

**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

Opinion on the Major Federal Program

We have audited Interfaith Action of Greater Saint Paul'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 Interfaith Action of Greater Saint Paul's major federal program for the year ended June 30, 2022. 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.

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, 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* (the 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 Interfaith Action of Greater Saint Paul 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 Interfaith Action of Greater Saint Paul's compliance with the compliance requirements referred to above.

(Continued)

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 laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Interfaith Action of Greater Saint Paul's federal program.

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 Interfaith Action of Greater Saint Paul'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 Interfaith Action of Greater Saint Paul's compliance with the requirements of the 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 Interfaith Action of Greater Saint Paul'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 Interfaith Action of Greater Saint Paul'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 Interfaith Action of Greater Saint Paul'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.

(Continued)

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.

Mahoney Ulbrich
Christiansen & Russ, PA

December 2, 2022

INTERFAITH ACTION OF GREATER SAINT PAUL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

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?	_____ yes	_____ <u>X</u> 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)?	_____ yes	_____ <u>X</u> no	
Identification of major programs:	Assistance Listing Number 14.231 – Emergency Solutions Grant Program		
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	

SECTION II – FINDINGS – CONSOLIDATED FINANCIAL STATEMENTS AUDIT

No matters were noted.

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

No matters were noted.

INTERFAITH ACTION OF GREATER SAINT PAUL

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2022

2021-001 Lack of Segregation of 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.

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.

Current Status – Repeat finding at 2022-001.

2021-002 Written Financial Policies Not Compliant with Uniform Guidance

Condition – Interfaith Action’s written policies and procedures are not in compliance with Uniform Guidance 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.

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.

Current Status – The recommendation was adopted in January 2022 when Interfaith Action adopted new Grants Management Policies. No similar findings were noted in the 2022 audit.

2021-003 Lack of Review for Program Reports

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.

Recommendation – We recommend Interfaith Action adopt a consistent process across programs and grants in regard 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.

Current Status – The recommendation was adopted in January 2022 when Interfaith Action adopted new Grants Management Policies. No similar findings were noted in the 2022 audit.