



INTERFAITH ACTION OF GREATER SAINT PAUL

**CONSOLIDATED
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2023**



INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

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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, 2023, 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, 2023, 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) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited Interfaith Action of Greater Saint Paul's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 23 through 25 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 September 13, 2023, 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.

September 13, 2023

Mahoney Ulbrich
Christiansen & Russ, PA

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,221,951	\$ 1,723,924
Investments	1,031,436	66,908
Grants receivable - government	624,355	632,757
Prepaid expenses	16,374	24,561
Pledges receivable - current portion	3,818	306,600
Total current assets	2,897,934	2,754,750
Other assets:		
Pledges receivable - less current portion	1,367	1,568
Endowment investments	1,374,679	1,291,322
Property and equipment, net	112,231	142,105
Right of use asset, net	517,743	-
Other assets	25,241	8,749
Total assets	\$ 4,929,195	\$ 4,198,494
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 58,478	\$ 63,541
Accrued payroll and related	166,829	245,340
Current portion of lease liability	163,633	-
Refundable advances	55,718	55,772
Gift annuity payable	59	55
Total current liabilities	444,717	364,708
Long-term liability:		
Lease liability, less current portion	343,952	-
Gift annuity payable	14,756	14,815
Total long-term liabilities	358,708	14,815
Total liabilities	803,425	379,523
Net assets:		
Without donor restrictions	1,367,637	836,565
With donor restrictions	2,758,133	2,982,406
Total net assets	4,125,770	3,818,971
Total liabilities and net assets	\$ 4,929,195	\$ 4,198,494

See accompanying notes to the consolidated financial statements.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023			
	Without donor restrictions	With donor restrictions	Total	2022
Support and revenue:				
Support:				
Foundations/Corporations	\$ 286,489	\$ 772,959	\$ 1,059,448	\$ 1,668,788
Government grants	2,354,445	126,444	2,480,889	2,294,383
Individuals	256,036	125,725	381,761	689,556
Contributed materials and services	67,672	-	67,672	33,830
Congregations	45,523	56,027	101,550	103,400
Sponsorships	3,500	-	3,500	4,000
Return on investments, net	(1,290)	148,606	147,316	(202,913)
Net gain on sale of property	-	-	-	411,562
Miscellaneous income	1,590	-	1,590	4,363
Interest on loan from Foundation	-	-	-	-
Net assets released from restrictions	1,434,907	(1,434,907)	-	-
	4,448,872	(205,146)	4,243,726	5,006,969
Total support and revenues				
Expenses:				
Programs:				
Project Home	1,817,932	-	1,817,932	1,856,947
Department of Indian Work	1,129,321	-	1,129,321	855,993
Opportunity Saint Paul	107,756	-	107,756	153,772
Other programs	18,286	-	18,286	69,789
Total programs expense	3,073,295	-	3,073,295	2,936,501
Supporting services:				
General and administrative	542,435	19,127	561,562	514,110
Fundraising	302,070	-	302,070	342,473
Total supporting services	844,505	19,127	863,632	856,583
Total expenses	3,917,800	19,127	3,936,927	3,793,084
Change in net assets	531,072	(224,273)	306,799	1,213,885
Net assets, beginning of year	836,565	2,982,406	3,818,971	2,605,086
Net assets, end of year	\$ 1,367,637	\$ 2,758,133	\$ 4,125,770	\$ 3,818,971

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, 2023
(With Comparative Totals for 2022)

	2023								
	Project Home	Department of Indian Work	Opportunity Saint Paul	Other Programs	Total Programs	Supporting Services		Total	2022
						General and Administrative	Fundraising		
Salaries and wages	\$ 670,398	\$ 310,526	\$ 70,086	\$ -	\$ 1,051,010	\$ 253,010	\$ 150,615	\$ 1,454,635	\$ 1,492,201
Payroll taxes	50,365	22,820	3,994	-	77,179	23,576	10,703	111,458	102,635
Employee benefits	126,075	28,491	5,272	-	159,838	55,895	29,763	245,496	235,308
	<u>846,838</u>	<u>361,837</u>	<u>79,352</u>	<u>-</u>	<u>1,288,027</u>	<u>332,481</u>	<u>191,081</u>	<u>1,811,589</u>	<u>1,830,144</u>
Site rental fees	511,688	166,681	647	-	679,016	-	1,182	680,198	786,054
Supplies and services	218,255	274,898	4,126	239	497,518	718	566	498,802	393,957
Consulting/independent contractors	30,721	209,396	3,019	-	243,136	125,009	59,750	427,895	239,453
Partner organizations	-	25,600	-	17,038	42,638	-	10,950	53,588	10,478
Computer/telephone/internet	51,606	40,980	15,762	-	108,348	28,925	24,774	162,047	165,653
Client transportation	3,927	1,769	-	-	5,696	-	-	5,696	7,079
Building/grounds	128,588	14,949	1,034	-	144,571	3,108	1,867	149,546	175,335
Equipment	5,674	5,384	897	-	11,955	1,529	1,289	14,773	24,179
Travel/transportation	2,899	5,612	829	-	9,340	1,612	-	10,952	6,397
Laundry services	6,374	-	-	-	6,374	-	-	6,374	8,655
Professional development	2,957	7,280	486	-	10,723	1,819	274	12,816	10,063
Office supplies	1,512	8,205	431	227	10,375	6,333	4,664	21,372	22,431
Public relations/newsletter	161	1,773	-	-	1,934	-	-	1,934	40,772
Events and meetings	34	168	457	782	1,441	1,866	4,548	7,855	10,537
Payroll and bank fees	6,698	2,789	716	-	10,203	12,381	1,125	23,709	14,331
Bad debt	-	2,000	-	-	2,000	-	-	2,000	-
Interest expense on gift annuity payable	-	-	-	-	-	1,227	-	1,227	1,232
Depreciation	-	-	-	-	-	44,554	-	44,554	46,331
Other	-	-	-	-	-	-	-	-	3
Total program costs	<u>\$ 1,817,932</u>	<u>\$ 1,129,321</u>	<u>\$ 107,756</u>	<u>\$ 18,286</u>	<u>\$ 3,073,295</u>	<u>\$ 561,562</u>	<u>\$ 302,070</u>	<u>\$ 3,936,927</u>	<u>\$ 3,793,084</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, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 306,799	\$ 1,213,885
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	44,554	46,331
Net gain on sale of property	-	(411,562)
Unrealized losses (gains) on investments	(74,261)	250,179
Changes in operating assets and liabilities:		
Interest and grants receivable	8,402	163,203
Prepaid expenses	8,187	2,800
Pledges receivable	302,983	(266,628)
Other assets	(16,492)	(18,729)
Right of use assets	153,903	-
Lease liabilities	(164,061)	-
Accounts payable	(5,063)	(50,679)
Accrued payroll and related	(78,511)	49,236
Deferred revenue	(54)	55,772
Gift annuity payable	(55)	(50)
Net cash from operating activities	486,331	1,033,758
Cash flows from investing activities:		
Purchase of property and equipment	(14,680)	(71,162)
Proceeds from sale of property and equipment	-	889,183
Sale of investments	211,805	108,090
Purchase of investments	(1,185,784)	(564,156)
Net cash from investing activities	(988,659)	361,955
Net increase (decrease) in cash and cash equivalents	(502,328)	1,395,713
Cash and cash equivalents, beginning of year	1,723,924	328,211
Cash and cash equivalents, end of year	\$ 1,221,596	\$ 1,723,924
Supplemental cash flow information:		
Noncash investing and financing activities:		
Right of use asset obtained in exchange for lease liability	\$ 671,646	\$ -

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, 2023
(With Comparative Totals for 2022)

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. The shelter and day center are in one location, providing safe social distancing and privacy for families. PH provide meals, snacks, school bus pickup and supportive services. In fiscal year 2023, PH served 149 families, a total of 436 individuals including 264 children, and provided 24,653 meals. PH provided 26,183 shelter bed nights for families experiencing homelessness. In fiscal year 2022, PH served 128 families, a total of 409 individuals, and provided more than 24,500 meals. PH 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 nonprofit partners to provide tutoring, legal services, job coaching, mentoring and adult education to change the trajectory of people's lives. In fiscal year 2023, OSP volunteers provided 2,035 and hours of service to partners. In fiscal year 2022, OSP volunteers provided 2,948 hours of service to partners. 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 provider (Southern Minnesota Regional Legal Services) and by the Cardozo Society.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION (Continued)

Other Programs:

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

- **School Tools** collects school supplies for the new school year, along with donations and disburses them to partner organizations.

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 Standard Adopted - In 2023, Interfaith Action adopted Accounting Standard Update (ASU) 2016-02: *Leases (Topic 842)* using the modified retrospective approach with July 1, 2022 as the date of initial adoption. This ASU requires lessees to record most leases on their statement of financial position as a right-of-uses asset and related lease liability but recognize related expenses in a manner similar to existing accounting. Interfaith Action elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed Interfaith Action to carry forward the historical lease classification. Interfaith Action also elected not to record leases with an initial term of 12 months or less on the statement of financial position. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities totaling \$671,646 in its consolidated statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the consolidated statement of activities for the year ended June 30, 2023.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 consolidated 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, 2022, 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 to be cash and cash equivalents, except for cash and money market funds held in broker accounts which are shown in investments.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At June 30, 2023 and 2022, Interfaith Action's uninsured cash balances was approximately \$880,000 and \$1,570,000.

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.

Investments - Investments in marketable securities are reported at fair value. Net investment return is reported in the consolidated 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.

Leases - Interfaith Action assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

Right of use (ROU) assets represent Interfaith Action's right to use an underlying asset for the lease term, and lease liabilities represent Interfaith Action's obligation to make lease payments. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Interfaith Action will exercise the option. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Common area maintenance costs and other variable lease payments are recognized when invoiced and are not included in the right of use assets and lease liabilities.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

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

Interfaith Action uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free rate.

Other assets - Other assets include a database and software, which are amortized over the estimated useful life of each asset.

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.

Donated Materials and Services - Donated materials are recorded as contributions at their estimated fair market value based on current rates for similar material referencing local market inputs 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.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the years ended June 30, 2023 and 2022, Interfaith Action recognized \$67,672 and \$33,830 of contributed clothes and supplies 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, 2023 and 2022.

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 consolidated 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 - Certain reclassifications have been made to the June 30, 2022 consolidated financial statement in order for them to conform to the June 30, 2023 presentation. These reclassifications had no effect on change in net assets.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

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 consolidated statement of financial position date, consist of the following:

	2023	2022
Financial assets at year end:		
Cash and equivalents	\$ 1,221,951	\$ 1,723,924
Investments	1,031,436	66,908
Grants receivable – government	624,355	632,757
Pledges receivable	5,185	306,600
Endowment investments	1,374,679	1,291,322
	4,257,606	4,021,511
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,769,538)	(2,982,406)
Add amounts available to be used within one year:		
Endowment appropriation for the next year	55,236	53,395
Financial assets available (shortage) to meet general expenditures over the next 12 months	\$ 1,543,304	\$ 1,092,500

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 2022, 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, 2023
(With Comparative Totals for 2022)

4. PLEDGES RECEIVABLE

Pledges receivable are estimated to be collected as follows at June 30, 2023:

Within one year	\$	3,818
In one to five years		<u>1,367</u>
	\$	<u><u>5,185</u></u>

5. FAIR VALUE MEASUREMENTS

Interfaith Action reports certain assets and liabilities at fair value in the consolidated 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, 2023
(With Comparative Totals for 2022)

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
2023				
Money market funds	\$ 6,000	\$ 6,000	\$ -	\$ -
Common stock	1,006,401	1,006,401	-	-
Corporate bonds	381,544	381,544	-	-
Exchange traded funds	989,985	989,985	-	-
	<u>2,383,930</u>	<u>\$ 2,383,930</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	18,814			
Interest receivable	<u>3,371</u>			
Total investments	<u>\$ 2,406,115</u>			
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	8,263			
Interest receivable	<u>3,726</u>			
Total investments	<u>\$ 1,358,230</u>			

Reconciliation to the consolidated statement of financial position:

	2023	2022
Investments	\$ 1,031,436	\$ 66,908
Endowment investments	1,374,679	1,291,322
	<u>\$ 2,406,115</u>	<u>\$ 1,358,230</u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

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 reasonably 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 consolidated 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:

	2023	2022	Estimated useful life in years
Leasehold improvements	\$ 5,515	\$ -	3.25
Equipment	226,652	217,487	3 - 10
	<u>232,167</u>	<u>217,487</u>	
Less accumulated depreciation	<u>(119,936)</u>	<u>(75,382)</u>	
	<u>\$ 112,231</u>	<u>\$ 142,105</u>	

Depreciation expense was \$44,554 in 2023 and \$46,331 in 2022.

During October 2021, 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, 2023
(With Comparative Totals for 2022)

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 \$59 to \$81 per year with the balance due beyond the five years.

8. NET ASSETS

Net assets with donor restrictions are for the following purposes:

	2023	2022
Department of Indian Work:		
Emergency Services	\$ 417,013	\$ 691,258
Economic Mobility Hub	712,915	635,510
Youth Enrichment	54,213	92,717
Family Education	48,460	-
Project Home	140,289	204,809
Project Home - Shelter Expansion	4,925	23,623
Opportunity Saint Paul	15,269	27,625
Other Programs:		
Community Power Ups	-	21,985
Mission Support	-	4,719
Pledges restricted for future periods	5,185	16,590
Foundation endowment fund (See Note 9)	1,342,764	1,248,570
Foundation general operations	17,100	15,000
	\$ 2,758,133	\$ 2,982,406

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

9. 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, 2023
(With Comparative Totals for 2022)

9. ENDOWMENT (Continued)

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

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 1,248,570	\$ 1,477,523
Investment return	148,606	(177,056)
Contributions	-	8,173
Appropriations for expenditure	<u>(54,412)</u>	<u>(60,070)</u>
End of year	<u>\$ 1,342,764</u>	<u>\$ 1,248,570</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 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. The line of credit interest and grant have been eliminated for purposes of consolidation.

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.

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

10. 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 \$84,026 and \$75,149 have been recognized for the years ended June 30, 2023 and 2022, respectively. Plan assets are held in a trust and are not subject to ERISA requirements.

11. OPERATING LEASES

Interfaith Action leases two copiers under operating leases which expire in May 2025 and April 2026.

Interfaith Action leases the Provincial House to provide a 24/7 shelter as part of Project Home on a month-to-month basis. The landlord has the right to give Interfaith Action 6 months advance written notice of any change to the terms. Interfaith Action is actively looking for a new location and does not expect this lease to continue for a full 12 months, so is accounting for the lease as a short-term lease.

Starting October 2021, Interfaith Action began leasing office space for DIW under an operating lease. The lease expires in September 2026.

The following tables provide quantitative information concerning the Organization's leases for the year ended December 31:

<u>Lease Cost</u>	<u>Classification</u>	<u>2023</u>	<u>2022</u>
Operating – copiers	Equipment	\$ 11,966	\$ 12,252
Operating – copiers non- lease components	Equipment	2,070	918
Operating – building	Site rental fees	158,464	94,802
Short-term lease - building	Site rental fees	521,734	691,252
Net lease costs		<u>\$ 694,234</u>	<u>\$ 799,224</u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

11. OPERATING LEASES (Continued)

Lease term and discount rate for operating leases:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term (years)	3.12	N/A
Weighted Average Discount Rate	2.85%	N/A

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

2024	\$ 175,334
2025	159,328
2026	156,315
2027	38,968
Total lease payments	<u>529,945</u>
Less: imputed interest	<u>(22,360)</u>
Present value of lease liabilities	<u>\$ 507,585</u>

12. 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 \$710,869 for Project Home and \$332,438 for DIW at June 30, 2023. \$55,718 of the DIW conditional contributions are reported as refundable advances at June 30, 2023.

Approximately 51% and 39% of the Interfaith Action's support and 95% and 51% of receivables was from one donor in 2023 and 2022. Another donor made up 11% of support and two other donors make up 44% of receivables in 2022.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2023, 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, 2023

	<u>Interfaith Action</u>	<u>Foundation</u>	<u>Elimination</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,221,951	\$ -	\$ -	\$ 1,221,951
Investments	1,031,436	-	-	1,031,436
Grants receivable - government	624,355	-	-	624,355
Prepaid expenses	16,374	-	-	16,374
Pledges receivable - current portion	3,818	-	-	3,818
Total current assets	<u>2,897,934</u>	<u>-</u>	<u>-</u>	<u>2,897,934</u>
Other assets:				
Pledges receivable - less current portion	1,367	-	-	1,367
Endowment investments	-	1,374,679	-	1,374,679
Property and equipment, net	112,231	-	-	112,231
Right of use asset, net	517,743	-	-	517,743
Other assets	25,241	-	-	25,241
Total assets	<u>\$ 3,554,516</u>	<u>\$ 1,374,679</u>	<u>\$ -</u>	<u>\$ 4,929,195</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 58,478	\$ -	\$ -	\$ 58,478
Accrued payroll and related	166,829	-	-	166,829
Current portion of lease liability	163,633	-	-	163,633
Refundable advances	55,718	-	-	55,718
Gift annuities payable	-	59	-	59
Total current liabilities	<u>444,658</u>	<u>59</u>	<u>-</u>	<u>444,717</u>
Long term liabilities:				
Lease liability, less current portion	343,952	-	-	343,952
Gift annuity payable	-	14,756	-	14,756
Total liabilities	<u>788,610</u>	<u>14,815</u>	<u>-</u>	<u>803,425</u>
Net assets:				
Without donor restrictions	1,367,637	17,100	(17,100)	1,367,637
With donor restrictions	1,398,269	1,342,764	17,100	2,758,133
Total net assets	<u>2,765,906</u>	<u>1,359,864</u>	<u>-</u>	<u>4,125,770</u>
Total liabilities and net assets	<u>\$ 3,554,516</u>	<u>\$ 1,374,679</u>	<u>\$ -</u>	<u>\$ 4,929,195</u>

See independent auditor's report.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	Interfaith Action		Foundation		Eliminations	Total
	Without donor restriction	With donor restriction	Without donor restriction	With donor restriction		
Support and revenue:						
Support:						
Foundations/Corporations	\$ 286,489	\$ 826,144	\$ -	\$ -	\$ (53,185)	\$ 1,059,448
Government grants	2,354,445	126,444	-	-	-	2,480,889
Individuals	256,036	105,725	20,000	-	-	381,761
Contributed materials and services	67,672	-	-	-	-	67,672
Congregations	45,523	56,027	-	-	-	101,550
Sponsorships	3,500	-	-	-	-	3,500
Return on investments, net	(1,290)	-	-	148,606	-	147,316
Miscellaneous income	1,590	-	-	-	-	1,590
Net assets released from restrictions	1,434,907	(1,434,907)	54,412	(54,412)	-	-
Total revenues and support	4,448,872	(320,567)	74,412	94,194	(53,185)	4,243,726
Expenses:						
Programs:						
Project Home	1,817,932	-	-	-	-	1,817,932
Department of Indian Work	1,129,321	-	-	-	-	1,129,321
Opportunity Saint Paul	107,756	-	-	-	-	107,756
Interfaith Action of Greater Saint Paul	-	-	53,185	-	(53,185)	-
Other programs	18,286	-	-	-	-	18,286
Total programs expense	3,073,295	-	53,185	-	(53,185)	3,073,295
Supporting services:						
General and administrative	542,435	-	19,127	-	-	561,562
Fundraising	302,070	-	-	-	-	302,070
Total supporting services	844,505	-	19,127	-	-	863,632
Total expenses	3,917,800	-	72,312	-	(53,185)	3,936,927
Change in net assets	531,072	(320,567)	2,100	94,194	-	306,799
Net assets, beginning of year	836,565	1,718,836	15,000	1,248,570	-	3,818,971
Net assets, end of year	\$ 1,367,637	\$ 1,398,269	\$ 17,100	\$ 1,342,764	\$ -	\$ 4,125,770

See independent auditor's report.

INTERFAITH ACTION OF GREATER SAINT PAUL

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Interfaith Action			Foundation			Total
	Program	General and Administrative	Fundraising	Program	General and Administrative	Eliminations	
Salaries and wages	\$ 1,051,010	\$ 253,010	\$ 150,615	\$ -	\$ -	\$ -	\$ 1,454,635
Payroll taxes	77,179	23,576	10,703	-	-	-	111,458
Employee benefits	159,838	55,895	29,763	-	-	-	245,496
	<u>1,288,027</u>	<u>332,481</u>	<u>191,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,811,589</u>
Grant to Interfaith Action	-	-	-	53,185	-	(53,185)	-
Site rental fees	679,016	-	1,182	-	-	-	680,198
Supplies and services	497,518	718	566	-	-	-	498,802
Consulting/independent contractors	243,136	108,149	59,750	-	16,860	-	427,895
Partner organizations	42,638	-	10,950	-	-	-	53,588
Computer/telephone/internet	108,348	28,925	24,774	-	-	-	162,047
Client transportation	5,696	-	-	-	-	-	5,696
Building/grounds	144,571	2,068	1,867	-	1,040	-	149,546
Equipment	11,955	1,529	1,289	-	-	-	14,773
Travel/transportation	9,340	1,612	-	-	-	-	10,952
Laundry services	6,374	-	-	-	-	-	6,374
Professional development	10,723	1,819	274	-	-	-	12,816
Office supplies	10,375	6,333	4,664	-	-	-	21,372
Public relations/newsletter	1,934	-	-	-	-	-	1,934
Events and meetings	1,441	1,866	4,548	-	-	-	7,855
Payroll and bank fees	10,203	12,381	1,125	-	-	-	23,709
Bad debt	2,000	-	-	-	-	-	2,000
Interest expense on gift annuity payable	-	-	-	-	1,227	-	1,227
Depreciation	-	44,554	-	-	-	-	44,554
	<u>\$ 3,073,295</u>	<u>\$ 542,435</u>	<u>\$ 302,070</u>	<u>\$ 53,185</u>	<u>\$ 19,127</u>	<u>\$ (53,185)</u>	<u>\$ 3,936,927</u>

See independent auditor's report

INTERFAITH ACTION OF GREATER SAINT PAUL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

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			
COVID-19: ESG-CV		\$ 64,098	\$ 64,098
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants Program:			
Passed through Ramsey County			
COVID-19: CDBG-CV	14.218	377,456	<u>204,756</u>
<i>Total Department of Housing and Urban Development</i>			<u>268,854</u>
Department of Treasury			
Coronavirus Relief Fund	21.019		
COVID-19: Passed through Minnesota Department of Health		739,275	127,408
Coronavirus State and Local Fiscal Recovery Funds	21.027c		
COVID-19: Passed through Ramsey County		2,060,066	<u>1,401,553</u>
<i>Total Department of Treasury</i>			<u>1,528,961</u>
Department of Homeland Security:			
Emergency Food and Shelter National Board Program			
Direct program:			
Phase 39	97.024	51,144	51,144
ARPAR	97.024	69,979	69,979
Phase 40	97.024	10,642	<u>5,321</u>
<i>Total Department of Homeland Security</i>			<u>126,444</u>
Total			<u><u>\$ 1,924,259</u></u>

(Continued)

INTERFAITH ACTION OF GREATER SAINT PAUL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

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, 2023. 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.

Note 4. AL 21.027c Grant

During the year ended June 30, 2023, funds totaling \$1,401,553 were received from Ramsey County under one grant. While the grant agreement indicates that the source of the funds includes both federal (AL 21.019) and state awards, the (grantor) has not provided the organization with the amount of federal funds included. Because the federal portion of the expenditures is unknown, the full amount is included in the accompanying schedule of expenditures of federal awards.



**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, 2023, 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 September 13, 2023. 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

September 13, 2023



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, 2023. 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, 2023.

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

September 13, 2023

INTERFAITH ACTION OF GREATER SAINT PAUL

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

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?	_____ yes	_____ <u>X</u> 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 21.027c - Coronavirus State and Local Fiscal Recovery Funds		
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.