

**COMMUNITY RESOURCE CONNECTIONS, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Resource Connections, Inc.

Opinion

We have audited the accompanying financial statements of Community Resource Connections, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Resource Connections, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Resource Connections, Inc. 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Resource Connections, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Resource Connections, Inc.'s internal control. Accordingly, no opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Resource Connections, Inc.'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.

KBA Peterson Associates, Inc.

KBA Peterson Associates, Inc.
Bemidji, MN

August 23, 2024

COMMUNITY RESOURCE CONNECTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Cash Equivalents	\$ 276,944	\$ 127,578
Grants Receivable	61,273	56,672
Prepaid Expenses	9,337	9,750
Operating Lease Right of Use Asset, net	39,058	-
Equipment, net	<u>6,366</u>	<u>12,216</u>
TOTAL ASSETS	<u><u>\$ 392,978</u></u>	<u><u>\$ 206,216</u></u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accrued Payroll Taxes	\$ -	\$ 3,101
Accrued Payroll Liabilities	-	1,235
Accrued Wages	5,188	5,587
Accrued Vacation Leave	14,920	20,733
Refundable Advance	122,767	-
Lease Liability	<u>39,058</u>	<u>-</u>
Total Liabilities	<u>181,933</u>	<u>30,656</u>
<u>Net Assets</u>		
Net Assets Without Donor Restrictions	<u>211,045</u>	<u>175,560</u>
Total Net Assets	<u>211,045</u>	<u>175,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 392,978</u></u>	<u><u>\$ 206,216</u></u>

See Accompanying Notes to Financial Statements.

COMMUNITY RESOURCE CONNECTIONS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
<u>Revenues and Support</u>		
Grants and Contributions	\$ 450,176	\$ 415,871
Membership Dues	5,650	3,050
Other Income	4,199	2,181
Interest Income	2,198	576
Total Revenues and Support	<u>462,223</u>	<u>421,678</u>
<u>Expenses and Losses</u>		
Program Services	371,746	384,312
General and Administrative	41,937	33,156
Fundraising	13,055	9,738
Total Expenses	<u>426,738</u>	<u>427,206</u>
Loss on Disposal of Fixed Assets	-	540
Total Expenses and Losses	<u>426,738</u>	<u>427,746</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	35,485	(6,068)
NET ASSETS, BEGINNING OF YEAR	<u>175,560</u>	<u>181,628</u>
NET ASSETS, END OF YEAR	<u>\$ 211,045</u>	<u>\$ 175,560</u>

See Accompanying Notes to Financial Statements.

COMMUNITY RESOURCE CONNECTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				2022			
	General				General			
	Program Services	and Admin	Fundraising	Totals	Program Services	and Admin	Fundraising	Totals
Contract Services	\$ 9,476	\$ 6,743	\$ 1,125	\$ 17,344	\$ 15,240	\$ -	\$ -	\$ 15,240
Depreciation	4,972	585	292	5,849	4,463	525	263	5,251
Dues and Fees	-	1,650	-	1,650	-	1,861	-	1,861
Employee Mileage / Parking	852	-	-	852	794	-	-	794
Equipment / Software	9,448	1,112	556	11,116	7,580	892	445	8,917
Insurance	5,339	2,460	667	8,466	7,226	924	-	8,150
Marketing	1,589	198	198	1,985	1,586	-	-	1,586
Miscellaneous	40	-	233	273	5	-	-	5
Office Supplies	4,791	1,446	1,304	7,541	3,731	276	138	4,145
Printing / Copying	2,490	293	147	2,930	2,086	245	123	2,454
Postage	376	44	22	442	427	50	25	502
Program Expenses	5,998	669	-	6,667	5,200	572	-	5,772
Rent	12,650	6,000	500	19,150	12,600	6,000	300	18,900
Telephone / Internet	6,354	334	-	6,688	6,622	349	-	6,971
Salaries	273,320	18,181	7,272	298,773	284,362	19,350	7,740	311,452
Payroll Taxes	22,502	1,468	488	24,458	22,699	1,480	493	24,672
Benefits	11,549	754	251	12,554	9,691	632	211	10,534
Total Expenses	\$371,746	\$ 41,937	\$ 13,055	\$426,738	\$384,312	\$ 33,156	\$ 9,738	\$427,206

See Accompanying Notes to Financial Statements.

COMMUNITY RESOURCE CONNECTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 35,485	\$ (6,068)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Loss on Disposal of Fixed Assets	-	540
Depreciation and Amortization	5,849	5,251
(Increase) Decrease in Current Assets:		
Grants Receivable	(4,601)	(15,052)
Prepaid Expenses	414	11
Increase (Decrease) in Current Liabilities:		
Accrued Payroll Taxes	(3,101)	1,116
Accrued Payroll Liabilities	(1,235)	393
Accrued Wages	(399)	715
Accrued Vacation Leave	(5,813)	6,005
Refundable Advance	122,767	-
Net Cash from Operating Activities	<u>149,366</u>	<u>(7,089)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Fixed Assets	<u>-</u>	<u>(12,274)</u>
Net Cash from Investing Activities	<u>-</u>	<u>(12,274)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	149,366	(19,363)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>127,578</u>	<u>146,941</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 276,944</u>	<u>\$ 127,578</u>

Supplemental Information

Operating Lease Liability arising from obtaining Right of Use Asset	<u>\$ 43,045</u>	<u>\$ -</u>
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See Accompanying Notes to Financial Statements.

COMMUNITY RESOURCE CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Community Resource Connections, Inc.'s purpose is to improve access to and the effectiveness of community services through collaboration, coordination and integration. The main sources of the organization's revenues are government and foundation grants, and contracts. The organization maintains a resource center and service access sites. Service navigation assistance is provided to the public from all locations.

Income Tax Status

The organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and therefore, has no provision for income taxes. It is not a private foundation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The organization follows the reporting requirements of accounting principles generally accepted in the United States of America, which require that resources be classified for reporting purposes based on the existence or absences of donor-imposed restrictions. Descriptions of the two net asset categories follow:

Net Assets Without Donor Restrictions- Net assets available for general use and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. The organization does not have any net assets with donor restrictions.

Cash and Cash Equivalents

For the purposes of the statements of financial position and cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Advertising Costs

The cost of advertising is expensed in the period the advertising occurred.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

COMMUNITY RESOURCE CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are recorded at cost. Donated items are recorded at estimated fair value. Such donations are recorded as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Useful lives range from 5 to 7 years. Expenditures for major renewals and betterments of \$500 or more that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Property and equipment as of December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Furniture and Equipment	\$ 30,696	\$ 30,696
Less Accumulated Depreciation	(24,330)	(18,480)
Net Fixed Assets	<u>\$ 6,366</u>	<u>\$ 12,216</u>

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural category. Expenses directly attributable to a specific functional expense category are reported as expenses of those categories. Expenses attributed to more than one functional expense category are allocated on the basis of estimates of time and effort.

Revenue Recognition

Contributions and grants are recorded as revenue upon receipt of cash or unconditional promise to give in which there is no right of return of assets contributed and no indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Evaluation of Subsequent Events

The organization has evaluated subsequent events through August 23, 2024, the date which the financial statements were available to be issued.

COMMUNITY RESOURCE CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recorded when there is an objective basis to measure the value of such services and the services involve specialized skills that would be purchased if not provided by donation. The organization received donated services from individuals who volunteered as board members and provided program services to individuals. The donated services do not meet the criteria for recognition and therefore have not been recorded as revenues and expenses.

New Accounting Pronouncements Adopted

In 2022, the organization adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosure of key information about leasing arrangements. The organization elected not to reassess at adoption expired or existing contracts to determine whether they contain a lease, the lease classification of any existing leases, or the initial direct costs for existing leases. The adoption did not result in a significant effect on the amounts reported in the statement of activities for the year ended December 31, 2022.

The organization also adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States by increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed financial assets.

Leases

The organization does not report lease assets and liabilities for leases with a term of twelve months or less, instead reporting lease expense on a straight-line basis over the lease term.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date are as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$154,177	\$127,578
Grants Receivable	<u>61,273</u>	<u>56,672</u>
Total	<u>\$215,450</u>	<u>\$184,250</u>

The organization structures its financial assets to be available for general expenditures, liabilities, and other obligations that become due.

COMMUNITY RESOURCE CONNECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 – GRANTS RECEIVABLE

Grants receivable as of December 31, 2023 and 2022 consist of amounts from nonprofit grantors and payments from the State of Minnesota. Management believes all amounts are collectible, therefore, no allowance for doubtful accounts is considered necessary. All amounts are collectible within one year.

NOTE 4 – CONCENTRATIONS

The organization received a large portion of its revenue from the State of Minnesota as grants. These funds made up 76% and 68% of the revenues for the years ended December 31, 2023 and 2022, respectively.

NOTE 5 – RETIREMENT PLAN

The organization maintains a retirement plan as an employee benefit. The organization's expense is equal to 5% of the gross wages of participants and was \$12,554 and \$10,534 in 2023 and 2022, respectively.

NOTE 6 – OPERATING LEASES

The organization determines if an arrangement is or contains a lease at inception. The organization entered into a lease for office space during 2023. The lease asset and liability were calculated utilizing a risk free rate of 4.64%, which the organization has made an accounting policy to elect to use in lieu of the incremental borrowing rate. The remaining lease term as of December 31, 2023 was 32 months. Monthly rent is \$1,300. The organization incurred lease expense of \$4,550 and paid cash for lease liabilities in the amount of \$3,987 for the year ended December 31, 2023.

The organization also expensed lease payments for short-term leases of twelve months or less. The organization incurred short-term lease expenses in the amount of \$14,600 and \$18,900 for the years ending December 31, 2023 and 2022, respectively.

Maturities of operating lease liabilities are as follows:

2024	\$ 15,600
2025	15,600
2026	<u>10,400</u>
Total Lease Payments	41,600
Less Present Value Discount	<u>(2,542)</u>
Total	<u>\$ 39,058</u>