

Plymouth Christian Youth Center

Consolidated Financial Statements and
Supplementary Information

June 30, 2022 and 2021

Plymouth Christian Youth Center

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June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
Plymouth Christian Youth Center

Opinion

We have audited the consolidated financial statements of Plymouth Christian Youth Center and subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, cash flow and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022 and 2021, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Plymouth Christian Youth Center, as of and for the year ended June 30, 2021, were audited by other auditors whose report thereon, dated October 15, 2021, expressed an unqualified opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it 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 consolidating information has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Minneapolis, Minnesota

October 21, 2022, except for the Supplementary Information, as to which the date is December 15, 2022

Plymouth Christian Youth Center

Consolidated Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 348,549	\$ 561,531
Restricted cash	144,655	271,864
Accounts receivable	351,855	335,596
Pledges and grants receivable	16,800	173,449
Prepaid expenses	<u>132,266</u>	<u>108,221</u>
Total current assets	994,125	1,450,661
Noncurrent Assets		
Investments	1,036,907	1,983,212
Note receivable	7,511,800	7,511,800
Receivable from MACC Alliance	17,225	17,225
Property and equipment, net	<u>15,560,650</u>	<u>16,178,353</u>
Total assets	<u>\$ 25,120,707</u>	<u>\$ 27,141,251</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 55,479	\$ 352,266
Accrued expenses and payroll withholding	133,850	172,800
Refundable advance	25,375	50,000
PPP loan	-	482,195
Current portion of notes payable	<u>300,314</u>	<u>2,453,874</u>
Total current liabilities	515,018	3,511,135
Long-Term Liabilities		
Notes payable	<u>15,280,124</u>	<u>13,515,000</u>
Total liabilities	<u>15,795,142</u>	<u>17,026,135</u>
Net Assets		
Without donor restrictions:		
Board designated	762,431	762,431
Undesignated	<u>8,183,841</u>	<u>3,155,838</u>
Total without donor restrictions	8,946,272	3,918,269
With donor restrictions	<u>379,293</u>	<u>6,196,847</u>
Total net assets	<u>9,325,565</u>	<u>10,115,116</u>
Total liabilities and net assets	<u>\$ 25,120,707</u>	<u>\$ 27,141,251</u>

See notes to consolidated financial statements

Plymouth Christian Youth Center

Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 879,846	\$ 118,150	\$ 997,996	\$ 690,394	\$ 1,004,398	\$ 1,694,792
Minneapolis Public Schools	1,321,402	-	1,321,402	1,350,144	-	1,350,144
Government contributions	876,041	-	876,041	1,167,833	-	1,167,833
Program service fees	550,000	-	550,000	458,333	-	458,333
Earned income	-	-	-	1,322	-	1,322
Rent	115,693	-	115,693	19,460	-	19,460
Investment income (loss)	(71,097)	-	(71,097)	373,146	-	373,146
Miscellaneous income (loss)	25,098	-	25,098	(626)	-	(626)
Net assets released from restrictions:						
Satisfaction of capital restrictions	5,807,568	(5,807,568)	-	100,230	(100,230)	-
Satisfaction of purpose and time restrictions	128,136	(128,136)	-	79,086	(79,086)	-
Total support and revenue	9,632,687	(5,817,554)	3,815,133	4,239,322	825,082	5,064,404
Expense						
Program services:						
Education programs	1,576,372	-	1,576,372	1,503,581	-	1,503,581
Youth and family programs	491,220	-	491,220	311,312	-	311,312
Cultural arts program	1,093,661	-	1,093,661	455,059	-	455,059
Total program expense	3,161,253	-	3,161,253	2,269,952	-	2,269,952
Support services:						
Management and general	1,155,211	-	1,155,211	787,370	-	787,370
Fundraising	288,220	-	288,220	275,481	-	275,481
Total support services	1,443,431	-	1,443,431	1,062,851	-	1,062,851
Total expense	4,604,684	-	4,604,684	3,332,803	-	3,332,803
Change in net assets	5,028,003	(5,817,554)	(789,551)	906,519	825,082	1,731,601
Net Assets, Beginning	3,918,269	6,196,847	10,115,116	3,011,750	5,371,765	8,383,515
Net Assets, Ending	\$ 8,946,272	\$ 379,293	\$ 9,325,565	\$ 3,918,269	\$ 6,196,847	\$ 10,115,116

See notes to consolidated financial statements

Plymouth Christian Youth Center

Consolidated Statement of Functional Expense

Year Ended June 30, 2022 With Comparative Totals for 2021

	2022							2021	
	Program Services				Support Services			Total All Services	Total All Services
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund-raising	Total Support Services		
Salaries	\$ 919,737	\$ 259,810	\$ 393,904	\$ 1,573,451	\$ 197,225	\$ 117,100	\$ 314,325	\$ 1,887,776	\$ 1,679,012
Employee benefits	92,037	25,176	37,739	154,952	21,085	11,596	32,681	187,633	193,947
Payroll taxes	52,606	16,156	17,771	86,533	10,680	8,881	19,561	106,094	114,190
Total personnel costs	1,064,380	301,142	449,414	1,814,936	228,990	137,577	366,567	2,181,503	1,987,149
Professional fees	15,118	1,316	117,734	134,168	419,854	74,148	494,002	628,170	393,190
Occupancy	2,512	16,372	234,132	253,016	289,758	-	289,758	542,774	329,809
Interest	139,484	40,095	63,061	242,640	87,818	35,174	122,992	365,632	161,642
Supplies	24,858	25,267	15,545	65,670	6,151	-	6,151	71,821	52,763
Office expense	1,882	1,074	21,374	24,330	22,914	-	22,914	47,244	50,455
Staff and volunteer development	1,241	338	300	1,879	1,613	-	1,613	3,492	47,462
Miscellaneous	926	349	58,353	59,628	9,482	599	10,081	69,709	44,285
Computer software	3,218	32	449	3,699	7,502	334	7,836	11,535	9,193
Telecommunications	294	-	-	294	1,659	-	1,659	1,953	1,702
Travel	311	16,490	-	16,801	-	46	46	16,847	182
Depreciation and amortization	322,148	88,745	133,299	544,192	79,470	40,342	119,812	664,004	254,971
Total expense	<u>\$ 1,576,372</u>	<u>\$ 491,220</u>	<u>\$ 1,093,661</u>	<u>\$ 3,161,253</u>	<u>\$ 1,155,211</u>	<u>\$ 288,220</u>	<u>\$ 1,443,431</u>	<u>\$ 4,604,684</u>	<u>\$ 3,332,803</u>

See notes to consolidated financial statements

Plymouth Christian Youth Center

Consolidated Statement of Functional Expense

Year Ended June 30, 2021

	Program Services				Support Services			Total All Services
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 989,017	\$ 159,413	\$ 233,018	\$ 1,381,448	\$ 125,815	\$ 171,749	\$ 297,564	\$ 1,679,012
Employee benefits	117,489	17,850	27,465	162,804	10,835	20,308	31,143	193,947
Payroll taxes	67,730	10,804	15,812	94,346	8,253	11,591	19,844	114,190
Total personnel costs	1,174,236	188,067	276,295	1,638,598	144,903	203,648	348,551	1,987,149
Professional fees	60,966	13,205	38,271	112,442	246,536	34,212	280,748	393,190
Occupancy	57,027	21,541	44,396	122,964	202,170	4,675	206,845	329,809
Interest	26,719	10,513	17,867	55,099	90,565	15,978	106,543	161,642
Supplies	40,547	10,511	417	51,475	1,288	-	1,288	52,763
Office expense	5,712	12,633	1,578	19,923	21,335	9,197	30,532	50,455
Staff and volunteer development	6,777	179	-	6,956	40,333	173	40,506	47,462
Miscellaneous	3,514	29	20,356	23,899	20,257	129	20,386	44,285
Computer software	1,332	-	384	1,716	35	7,442	7,477	9,193
Telecommunications	405	127	160	692	983	27	1,010	1,702
Travel	182	-	-	182	-	-	-	182
Depreciation and amortization	126,164	54,507	55,335	236,006	18,965	-	18,965	254,971
Total expense	<u>\$ 1,503,581</u>	<u>\$ 311,312</u>	<u>\$ 455,059</u>	<u>\$ 2,269,952</u>	<u>\$ 787,370</u>	<u>\$ 275,481</u>	<u>\$ 1,062,851</u>	<u>\$ 3,332,803</u>

See notes to consolidated financial statements

Plymouth Christian Youth Center

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (789,551)	\$ 1,731,601
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	664,004	254,971
PPP loan forgiveness	(482,195)	(459,500)
Unrealized and Realized loss (gain) on investments	82,888	(271,351)
Contributions restricted for long-term purposes	(118,150)	(1,004,398)
Increases (decreases) in current liabilities:		
Accounts payable	(296,787)	34,656
Accrued expense and payroll withholding	(38,950)	36,616
Refundable advance	(24,625)	-
Decreases (increases) in current assets:		
Accounts receivable	(16,259)	(258,666)
Grants receivable	156,649	50,000
Prepaid expenses	(24,045)	(16,220)
Net cash from operating activities	<u>(887,021)</u>	<u>97,709</u>
Cash Flows From Investing Activities		
Proceeds from maturity/sale of investments	915,645	646,214
Purchases of property and equipment	(70,049)	(5,287,749)
Purchases of investments	(52,228)	(1,239,264)
Net cash from investing activities	<u>793,368</u>	<u>(5,880,799)</u>
Cash Flows From Financing Activities		
Proceeds from contributions received for long-term purposes	118,150	1,004,398
Proceeds from notes payable	2,400,000	482,195
Principal payments on notes payable	(2,764,688)	(611,406)
Net cash from financing activities	<u>(246,538)</u>	<u>875,187</u>
Net decrease in cash and cash equivalents	(340,191)	(4,907,903)
Cash and Cash Equivalents, Beginning	<u>833,395</u>	<u>5,741,298</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 493,204</u></u>	<u><u>\$ 833,395</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	<u><u>\$ 365,632</u></u>	<u><u>\$ 161,642</u></u>

See notes to consolidated financial statements

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Plymouth Christian Youth Center (PCYC) include the accounts of Capri Real Estate Holding Company (CREHC). Significant inter-company transactions have been eliminated. PCYC is the sole member of CREHC.

CREHC was created to help secure New Markets Tax Credit funding to complete the construction on the extensive renovation and expansion of the Capri Theater.

Organizational Purpose

PCYC is a voluntary health and welfare organization founded in 1954 to serve children, youth and families.

Mission: To enrich the skills, prospects and spirit of North Minneapolis youth, in partnership with families and communities.

Vision: PCYC is a place of strength, safety and beauty where every young person is nurtured and challenged to reach their utmost potential. Youth, adults, families and communities come together to turn back the tides of poverty and violence, embracing hope, compassion and the reality of a better world.

Operating Principles:

- Achieve life-changing results for program participants
- Adapt programs and activities to the times
- Create a welcoming, safe and inclusive environment
- Serve as a vital community anchor, offering hope, leadership and effective action
- Support the growth and well-being of staff, volunteers and community friends
- Exercise wise stewardship of the PCYC's gifts and assets

Core Programs:

- Out-of-School Time (OST) programs, offering programs that serve elementary and early-middle school aged youth, including the elementary Summer Friends and After School programs.
- The PCYC Arts & Technology High School, a contract alternative program with Minneapolis Public Schools, serves over 300 youth annually, meeting educational needs that have not been satisfactorily met by traditional high schools.
- The Capri Theater and related arts education and cultural arts programming for youth, adults and the community, including Legends, Camp Capri, Capri Glee Community Choir and Capri After School Theater, in addition to partnership programs.

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Strategic Goals:

- Increase youth opportunities for school and life success. PCYC will promote the academic and social-emotional development of over 2,000 youth each year by offering outstanding, innovative experiences in its Arts & Technology High School, its elementary Out-of-School Time programs and at the Capri Theater.
- In 2022, PCYC celebrated its 68th anniversary of service to North Minneapolis area children and youth as a strong, forward-looking organization that's embracing its next generation of leadership.

Key Results: PCYC successfully completed the review process with the charity review council of Minnesota, earning the Meets Standards seal for the 5th consecutive assessment period.

The fallout of the pandemic and its consequences on education continued this past school year (2021 to 2022). Large numbers of students in the Minneapolis high schools had fallen behind in credits in 2020/2021. As well Minneapolis Public Schools saw approximately a 10% dip in enrollment. Taking those two facts into consideration Minneapolis kept many of the students we would normally have received in their traditional high schools. We saw our numbers peak much earlier in the year last year and then slowly drop off. Traditionally we start smaller and build through the year. That is not what happened last year – in fact numbers saw a rise slowly through the fall and then began to slowly drop off. This trend continued after Minneapolis Public Schools shut down for two weeks last winter. Attendance was down markedly below pre-pandemic numbers as was the number of times several students who were dropped from rolls for nonattendance and then re-enroll. This led to a graduation rate and credit earning that was below pre-pandemic numbers as well.

Ninety K through 5th grade scholars enrolled in our out-of-school time Bright Futures program at PCYC for July 2021 - June 2022 summer and school year. All programs, academic enrichment activities, resources and family support are free. Bright Futures staff provided academic coaching and support to scholars in person and virtually when needed. Scholars engaged in social and emotional skill building using our SEL second step curriculum. We supported families with supplies and learning kits designed for home use. Staff communicated with families on regular bases. Through email, phone calls, in-person and a newsletter. Communication this way allowed us to share any information regarding the program and community resources. We continue using virtual engagement, which allows us to gain more volunteers and hours for direct engagement with our scholars in core areas of development. Utilizing virtual platforms gets our scholars to use technology that will be relevant moving forward. We have various community-based partners that allow us to go deeper in areas of STEM, environment, gardening, etc. Our scholars use different learning models that align with our principles and core values. We will continue to fulfill our mission to enrich the lives of North Minneapolis youth through academic enrichment, social and emotional development, learning opportunities and activities.

The Capri Theater went dark at the end of May 2019 to begin construction on an extensive renovation and 20,000 square foot expansion project. The official groundbreaking ceremony was held on October 17, 2019. Construction continued through the fiscal year and was expected to be complete in the fall of 2020 but due to Covid the facility did not reopen till October 3, 2021. Artistic and youth programming continued in various locations during fiscal years 2019-20 and partially in fiscal year 2020 - 21. Saturday Camp Capri, MacPhail Community Youth Choir and the fall Capri Glee session were held in the PCYC building. Saint Paul Chamber Orchestra (SPCO) concerts and family programs moved from the Capri to Sanctuary Covenant Church. The Northside Celebration, in partnership with SPCO, was held at the North Community High School and the Ordway. First Thursday Films @ the Capri moved to North High and the spring 2021 session of Capri Glee was held virtually via Zoom. Beginning in early summer 2021, the Capri began testing the building's functionality in anticipation of opening by holding limited programming in the space including Summer Camp Capri, Capri Glee and rentals. Since reopening, the Capri has served over 16,000 patrons across a wide variety of artistic and community events.

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Net Assets

In order to observe the limitations and restrictions placed on resources available to PCYC, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated net assets for an operating reserve and board-designated endowment from net assets without donor restrictions of \$762,431 for years ending June 30, 2021 and 2022.

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. PCYC reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, PCYC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for money market accounts held by brokers for investment purposes. Stock and bond mutual funds which have no maturity date are not considered to be cash equivalents. Restricted cash is made up of the balances held by the CREHC. At June 30, 2022 and 2021, PCYC held funds at a financial institution in excess of federally insured limits.

Investments

Investments are stated at fair value based upon quoted market prices.

Accrued Vacation Pay

PCYC has an accrued vacation policy that provides for payment of accrued vacation for qualifying terminating employees. Accrued vacation pay is included with accrued expenses and payroll withholding on the statement of financial position.

Accounts Receivable and Doubtful Accounts

PCYC extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and PCYC does not charge interest on accounts receivable balances. PCYC reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. PCYC provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. As of June 30, 2021 and 2022 there was no allowance for doubtful accounts as accounts receivable were considered collectable.

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Land, Buildings and Equipment

Land, building and equipment in excess of \$2,500 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method over an estimated useful life as follows:

	<u>Years</u>
Building and improvements	10-40
Computer equipment	2-5
Furniture, fixtures and other equipment	3-10

Revenue and Revenue Recognition

PCYC recognizes unconditional program service fees when the performance obligations of providing the services are met.

PCYC recognizes contributions when cash, securities or other assets, a promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of PCYC's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when PCYC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. PCYC has refundable advances of \$25,375 and \$50,000 as of June 30, 2022 and 2021, respectively.

Promises to Give (Grants Receivable)

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Pledges and grants receivable are received from local individuals and organizations. No allowance for doubtful pledges has been provided, as pledges and grants receivable are considered collectable.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on use of property and equipment and actual time spent, management judgment and other relevant bases in each functional expense category.

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Income Tax

PCYC has a tax-exempt status under a group exemption through the Evangelical Lutheran Church in America under Section 501(c)(3) of the Internal Revenue Code and comparable State law.

Accordingly, the Organization is not subject to Federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated business activities). The Organization is also exempt from state income taxes.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of June 30, 2022 and 2021. The Organization's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts appearing in the 2021 consolidated financial statements have been reclassified to conform with the 2022 presentation. The reclassifications have no effect on reported amounts of total assets, total net assets or change in total net assets as previously reported.

Subsequent Events

PCYC has evaluated the effect that subsequent events would have on the consolidated financial statements through October 21, 2022 which is the date consolidated financial statements were available to be issued.

2. Contingencies and Uncertainties

The continuation of funding from governmental and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. Management considers primary funding sources to be consistent in future periods and that performance requirements will continue to be satisfactorily met.

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. Land, Buildings and Equipment

PCYC owned the following as of June 30:

	2022	2021	Estimated Useful Lives
Land	\$ 113,625	\$ 113,625	
Buildings and improvements	21,328,750	9,629,029	10-40 years
Computer equipment	173,267	173,267	2-5 years
Furniture, fixtures and equipment	153,878	109,568	3-10 years
Construction in progress	-	11,697,729	
	21,793,268	21,723,218	
Less accumulated depreciation	6,208,870	5,544,865	
	<u>\$ 15,560,650</u>	<u>\$ 16,178,353</u>	

Depreciation expense of \$664,004 and \$254,971 was recorded for the years ended June 30, 2022 and 2021, respectively.

4. Pension Plan

PCYC maintains a 401(k) Plan whereby participants are allowed to make an elective deferral contribution subject to annual limitations. Employer contributions shall be an amount equal to the lesser of 25% of the deferred contribution or 1% of the participant compensation for the plan year. Any other employer contributions are discretionary. Total pension expense was \$11,420 and \$10,117 for the years ended June 30, 2022 and 2021, respectively.

5. Investments and Fair Value Measurements

Investment income consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 6,540	\$ 105,004
Unrealized (loss) gain	(5,141)	177,887
Realized (loss) gain	(77,747)	93,751
Investment fees	(1,750)	(3,496)
	<u>\$ (71,097)</u>	<u>\$ 373,146</u>

In accordance with FASB ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 - Quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

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Level 3 - Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at:

June 30, 2022				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 34,513	\$ -	\$ -	\$ 34,513
Mutual Funds:				
Marketable Equity Funds	131,621	-	-	131,621
Marketable Debt Funds	13,925	-	-	13,925
Equities	28,554	-	-	28,554
Corporate Bonds	8,766	-	-	8,766
ETFs	819,527	-	-	819,527
Total investments at fair value	\$ 1,036,907	\$ -	\$ -	\$ 1,036,907
June 30, 2021				
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 847,389	\$ -	\$ -	\$ 847,389
Mutual Funds:				
Marketable Equity Funds	97,197	-	-	97,197
Marketable Debt Funds	75,451	-	-	75,451
Equities	33,545	-	-	33,545
ETFs	929,630	-	-	929,630
Total investments at fair value	\$ 1,983,212	\$ -	\$ -	\$ 1,983,212

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6. Pledges and Grants Receivable

The balances of pledges and grants receivable are due as follows:

<u>Due in the Year Ending June 30,</u>	<u>2022</u>	<u>2021</u>
Pledges and grants receivable	\$ 16,800	\$ 173,449
Total pledges and grants receivable	<u>\$ 16,800</u>	<u>\$ 173,449</u>

All pledges and grants receivable are current and considered collectable.

7. Notes Payable

The breakdown of notes payable was as follows as of June 30:

	<u>2022</u>	<u>2021</u>
PCYC:		
Mortgage note payable to Bremer Bank. Original loan amount of \$2,807,550 payable in monthly installments of \$15,643, including interest, through April 18, 2037. The interest rate is 3.01%. Secured by mortgage on property at 2210 Oliver Avenue North.	\$ -	\$ 2,353,909
Mortgage note payable to Choice Bank. Original loan amount of \$1,400,000 payable in monthly installments of \$8,830, including interest and a final payment of \$1,165,824 in December, 2026. The interest rate is 4.4%. Secured by mortgage on property at 2210 Oliver Avenue North.	1,377,960	-
Mortgage note payable to Propel. Original loan amount of \$1,000,000 payable in monthly installments of \$6,879, including interest and a final payment of \$841,115 in December 2026. The interest rate is 5.5%. Secured by mortgage on property at 2210 Oliver Avenue North.	985,380	-
Note payable to Sunrise Bank. Original loan amount of \$3,200,000 with principal to be paid by January 15, 2024. Interest will be paid monthly for 60 months. The interest rate is 4.1%. Secured by Capri Theater.	1,925,846	2,299,965
Note payable to City of Minneapolis. Original loan amount of \$700,000 payable in monthly installments of \$2,951, including interest, through October 15, 2066. Payments commence on October 15, 2026. The interest rate is 1% over the reference rate. Loan would be due to the city if the building is sold or deemed to being used for something other than outlined in the original agreement.	700,000	700,000

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	<u>2022</u>	<u>2021</u>
CREHC:		
Note A: 1.493% interest note from MMCDC New Markets Fund LII, LLC. Principal of \$3,700,900 due October 1, 2053. Accrued interest paid monthly started January 5, 2021. Secured by Capri Theater.	\$ 3,700,900	\$ 3,700,900
Note B: 1.493% interest note from MMCDC New Markets Fund LII, LLC. Principal of \$1,579,100 due October 1, 2053. Accrued interest paid monthly started January 5, 2021. Secured by Capri Theater.	1,579,100	1,579,100
Note A: 1.493% interest note from Sunrise New Markets Funds XXXVII. Principal of \$3,810,900 due October 1, 2053. Accrued interest paid monthly started January 5, 2021. Secured by Capri Theater	3,810,900	3,810,900
Note B: 1.493% interest note from Sunrise New Markets Fund XXXVII. Principal of \$1,524,100 due October 1, 2053. Accrued interest paid monthly started January 5, 2021. Secured by Capri Theater	<u>1,524,100</u>	<u>1,524,100</u>
Total notes payable	15,604,186	15,968,874
Less deferred financing fees	<u>23,748</u>	<u>-</u>
Total notes payable, net	15,580,438	15,968,874
Less portion due within one year	<u>300,314</u>	<u>2,453,874</u>
Long-term portion	<u><u>\$ 15,280,124</u></u>	<u><u>\$ 13,515,000</u></u>

Principal payments required are as follows:

Years ending June 30:	
2023	\$ 300,314
2024	577,796
2025	1,282,275
2026	86,150
2027	2,261,565
2028 and beyond	<u>11,096,086</u>
Total	<u><u>\$ 15,604,186</u></u>

Interest expense related to all notes was \$365,632 and \$161,642 for the years ended June 30, 2022 and 2021, respectively.

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New Market Tax Credits

New Markets Tax Credit Program financing arrangements have provided \$10,615,000 renovation and expansion of the Capri Theater at Broadway Ave, which was constructed in 2020 and 2021. The arrangements provide federal tax incentives to the investing banks, in exchange for which Capri Real Estate Holdings, Co. anticipates forgiveness of a portion of the outstanding principal balance remaining at the end of the initial seven-year interest-only period. There are four New Markets Tax Credit leveraged loans payable; Note A from MMCDC New Markets Fund LIII, LLC for \$3,700,900, Note B from MMCDC New Markets Fund LIII, LLC for \$1,579,100, Note A from Sunrise New Markets Fund XXVII, LLC for \$3,810,900 and Note B from Sunrise New Markets Fund XXVII, LLC for \$1,579,100, all with interest only payments due quarterly at an annual rate of 1.493% through January 31, 2027, then quarterly installments of \$118,986, including interest and principal, through January 30, 2054, any unpaid principal balance and all accrued interest will be due and payable at the maturity date, subject to a prepayment provision in effect through January 2027. The notes are secured by the mortgaged property, including the building, improvements, fixtures and personal property, owned by Capri Real Estate Holding, Co. The carrying value of the building and improvements was \$11,115,030 at June 30, 2022. The notes are also secured by the assignment of leases and rents related to the property.

In connection with the New Markets Tax Credit Program financing, Capri Real Estate Holding, Co., has a note receivable arrangement with an unrelated organization totaling \$7,511,880, bearing an interest rate of 1.00% over a thirty-year term. The repayment terms and the collateral on the note approximates the terms and the collateral of the New Markets Tax Credit notes payable. Capri Real Estate Holding, Co., anticipates purchasing the security interest in the unrelated organization in seven years.

In addition, Plymouth Christian Youth Center entered into a Lease/Use Agreement with Capri Real Estate Holding, Co. for use of the Capri Theater. The term of the lease is 24 years and 2 months with option to re-lease and additional 10-years, through 2054 as market rates. Annual rents are \$178,000 and will increase to \$527,000 in 2027 for the remainder of the initial lease period. The revenues and expenses resulting from this lease agreement are eliminated upon consolidation.

8. PPP Loan

On April 6, 2020, PCYC was granted a loan (the Loan) from Bremer Bank in the aggregate amount of \$459,500, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2021. This loan was subsequently forgiven on May 10, 2021, and the amount of \$459,500 was recorded as government contribution revenue for the year ended June 30, 2021.

On February 17, 2021, PCYC was granted a second draw PPP loan (PPP2 Loan) from the SBA through Bremer Bank in the amount of \$482,195. The PPP2 Loan, which was in the form of a Note dated February 17, 2021 issued by the Borrower, matures on February 17, 2026 and bears interest at a rate of 1% per annum, with payments deferred for 10 months after the borrower's covered period.

The PPP2 loan was subsequently forgiven on October 1, 2021 and the amount of \$482,195 was recorded as government contribution revenue during the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), all organizations are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

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9. Note Receivable

Note receivable was as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Note Receivable from Twain Investment. Original amount of \$7,511,800 receivable in interest only payments at (1%) until 2027. Quarterly receipts of \$105,370 begin in 2027 until the note matures on April 1, 2046.	\$ 7,511,800	\$ 7,511,800

10. Concentrations

Major sources of support and revenue were as follows:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Minneapolis Public Schools	\$ 1,321,402	\$ 1,350,144
Northside Achievement Zone Grant	550,000	458,333

Given the significant concentration of revenue received from the government agencies included in the table above, if a significant reduction in the level of support were to occur, it is reasonably possible that it might have a significant effect on the Organization's programs and activities.

The Organization provides services within the Twin Cities area. Accounts, grants and pledges receivable are from governments or institutions within the Twin Cities area.

Financial instruments that potentially subject PCYC to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments. Substantially all of its cash and liquid investments are placed with high-quality financial institutions limiting the amount of credit exposure to any one institution; however, at June 30, 2022 and 2021, PCYC had funds on deposit in a local financial institution in excess of federally insured limits.

11. Capital Campaign

In 2009 and 2010, PCYC completed an initial small capital campaign and remodeling project called the Capri Theater Renaissance, which made the Capri Theater capable of hosting live performances for community entertainment and for the use of the Arts and Learning High School students in their daily education. In 2010, PCYC began Phase II of that project which included expanding the Capri Theater, adding uses that complement the theater and increasing the performing arts and learning space for PCYC's program use and for the community. The Capri Theater was completed and the remainder was placed into service in fiscal year 2022, as such the Capital Campaign funds have been fully expended. PCYC continues to raise funds under the Capital Campaign for the purpose of satisfying finance obligations related to the Capri Theater renovations.

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Notes to Consolidated Financial Statements
June 30, 2022 and 2021

12. Net Asset Balances

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Capital campaign	\$ -	\$ 5,699,418
Scholarships	59,740	63,126
	59,740	5,762,544
Subject to passage of time:		
Future years grants	154,655	269,405
Endowments, to be held in perpetuity	164,898	164,898
Total net assets with donor restrictions	\$ 379,293	\$ 6,196,847

Board designated net assets consisted of amounts for the following as of June 30:

	2022	2021
Operating and debt reserve	\$ 616,292	\$ 616,292
Capacity building	146,139	146,139
	\$ 762,431	\$ 762,431

13. Endowment Fund

The Endowment Fund consists of donor restricted funds established for the following purposes:

Donor restricted funds are donor restricted to be held in perpetuity, with the income and related investment gains to be used for any mission-related program.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary; while allowing for appropriations to meet the intent of the endowment.

As a result of this interpretation, PCYC defines donor restricted assets held in perpetuity as:

- a) the original value of gifts donated to the permanent endowment;
- b) the original value of subsequent gifts to the permanent endowment;
- c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund;
- d) less the amount by which the current appropriation exceeds current and accumulated earnings;
and

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- e) at the discretion of the Board of Directors, accumulation of current earnings to replace principle appropriated for expenditure from previous years in item (d).

In accordance with UPMIFA, PCYC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of PCYC and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of PCYC
- The investment policies of PCYC

	Endowment Fund Net Asset Composition by Type of Fund		
	Without Donor Restriction	With Donor Restriction	Total
Endowment, June 30, 2022	\$ -	\$ 164,898	\$ 164,898
Endowment, June 30, 2021	\$ -	\$ 164,898	\$ 164,898

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 2022, donor-restricted funds with original gift values of \$164,898, fair values of \$107,217 and deficiencies of \$57,681 were reported in net assets with donor restrictions. At June 30, 2021, donor-restricted funds with original gift values of \$164,898, fair values of \$117,995 and deficiencies of \$46,903 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board.

14. Collaborative Agreement

In January 2007, PCYC joined with four other non-profit organizations to form MACC Alliance, Inc. (also a non-profit) to deliver a shared solution for meeting the key administrative functions of finance, human resources and information technology. This partnership was formed to support the needs of all members with enhanced quality of administrative functions, reduced operating risk and controlled costs. PCYC has a long-term receivable from MACC Alliance in the amount of \$17,225 at both years ended June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021 fees paid to the MACC alliance totaled \$271,006 and \$218,457.

Plymouth Christian Youth Center

Notes to Consolidated Financial Statements

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15. Liquidity and Availability

The following represents PCYC's financial assets at June 30:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 493,204	\$ 833,395
Accounts receivable	351,855	335,596
Investments	1,036,907	1,983,212
Pledges receivable	16,800	173,449
Total financial assets	1,898,766	3,325,652
Less assets not available to be used for general expenditures within one year:		
Net assets with donor restrictions	(379,293)	(6,196,847)
Board designated net assets	(762,431)	(762,431)
Net assets with restrictions to be met within a year	154,655	5,968,822
Total assets not available for general expenditures within one year	(987,069)	(990,456)
Financial assets available for general expenditures within one year	\$ 911,697	\$ 2,335,196

PCYC's board-designated Net Assets are not considered available for use within one year but could be available for use with a board resolution. As part of PCYC's liquidity plan, PCYC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

16. Management's Plan

PCYC is partnering with two consulting firms for fundraising and proposal writing to expand funding opportunities. PCYC's fundraising strategy to meet budget goals includes maintaining and building on a strong, long-standing foundation of public, private and individual donors and continued individual giving outreach and appeals. PCYC will increase gifts by engaging with lapsed donors, launch a monthly giving campaign, and further cultivate opportunities through the expanded audiences created by activities and events at the renovated and expanded Capri. PCYC will work to increase their robust grant portfolio while maintaining their current state, federal and foundation grant contracts.

In August 2022, PCYC received a contribution of \$1,000,000, of which \$750,000 related to the Capital Campaign to satisfy finance obligations related to the Capri Theater renovations and \$250,000 to fund general operations.

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Consolidating Schedule of Revenue, Expenses and Change in Net Assets
Year Ended June 30, 2022 (As Restated)

	PCYC	Capri Real Estate Holding Company	Elimination Entries	Total
Support and Revenue				
Contributions	\$ 997,996	\$ -	\$ -	\$ 997,996
Minneapolis Public Schools	1,321,402	-	-	1,321,402
Government contributions	876,041	-	-	876,041
Program fees	550,000	-	-	550,000
Earned income	-	-	-	-
Rent	115,693	178,000	(178,000)	115,693
Investment income	(71,109)	12	-	(71,097)
Miscellaneous income	25,098	-	-	25,098
Total support and revenue	3,815,121	178,012	(178,000)	3,815,133
Expense				
Salaries	1,887,776	-	-	1,887,776
Employee benefits	187,633	-	-	187,633
Payroll taxes	106,094	-	-	106,094
Total personnel costs	2,181,503	-	-	2,181,503
Professional fees	626,182	1,988	-	628,170
Occupancy	720,774	-	(178,000)	542,774
Interest	187,443	178,189	-	365,632
Supplies	71,821	-	-	71,821
Office expense	47,244	-	-	47,244
Staff and volunteer department	3,492	-	-	3,492
Miscellaneous	69,709	-	-	69,709
Computer software	11,535	-	-	11,535
Telecommunications	1,953	-	-	1,953
Travel	16,847	-	-	16,847
Depreciation	272,263	391,741	-	664,004
Total expense	4,210,766	571,918	(178,000)	4,604,684
Transfers				
Transfers in/(out)	(327,770)	327,770	-	-
Change in net assets	(723,415)	(66,136)	-	(789,551)
Net Assets, Beginning	9,399,363	715,753	-	10,115,116
Net Assets, Ending	<u>\$ 8,675,948</u>	<u>\$ 649,617</u>	<u>\$ -</u>	<u>\$ 9,325,565</u>

Plymouth Christian Youth Center

Consolidating Schedule of Financial Position
Year Ended June 30, 2022 (As Restated)

	PCYC	Capri Real Estate Holding Company	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 319,112	\$ 29,437	\$ -	\$ 348,549
Restricted cash	144,655	-	-	144,655
Accounts receivable	351,855	-	-	351,855
Pledges and grants receivable	16,800	-	-	16,800
Prepaid expenses	132,266	-	-	132,266
Total current assets	964,688	29,437	-	994,125
Noncurrent Assets				
Investments	1,036,907	-	-	1,036,907
Notes receivable	7,511,800	-	-	7,511,800
Receivable from MACC Alliance	17,225	-	-	17,225
Property and equipment, net operations	4,305,762	11,254,888	-	15,560,650
Total assets	<u>\$ 13,836,382</u>	<u>\$ 11,284,325</u>	<u>\$ -</u>	<u>\$ 25,120,707</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 35,771	\$ 19,708	\$ -	\$ 55,479
Accrued expense and payroll withholding	133,850	-	-	133,850
Refundable advance	25,375	-	-	25,375
Current portion of notes payable	300,314	-	-	300,314
Total current liabilities	495,310	19,708	-	515,018
Long-Term Liabilities				
Notes payable	4,665,124	10,615,000	-	15,280,124
Total liabilities	5,160,434	10,634,708	-	15,795,142
Net Assets				
Without donor restrictions	8,296,655	649,617	-	8,946,272
With donor restrictions	379,293	-	-	379,293
Total net assets	8,675,948	649,617	-	9,325,565
Total liabilities and net assets	<u>\$ 13,836,382</u>	<u>\$ 11,284,325</u>	<u>\$ -</u>	<u>\$ 25,120,707</u>