PLYMOUTH CHRISTIAN YOUTH CENTER
MINNEAPOLIS, MINNESOTA

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

PLYMOUTH CHRISTIAN YOUTH CENTER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Plymouth Christian Youth Center
Minneapolis, Minnesota

Opinion

We have audited the consolidated financial statements of Plymouth Christian Youth Center, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 financial position of Plymouth Christian Youth Center 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Plymouth Christian Youth Center 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Plymouth Christian Youth Center' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's 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 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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 Plymouth Christian Youth Center' 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 Plymouth Christian Youth Center' 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.

Report on Summarized Comparative Information

The consolidated financial statements of Plymouth Christian Youth Center for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those audited consolidated financial statements in their report dated October 21, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Smith, Schafer and Associates, Ltd.

Minneapolis, Minnesota
November 30, 2023

PLYMOUTH CHRISTIAN YOUTH CENTER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS	**2023**	2022
Current Assets		
Cash and cash equivalents	**$ 225,975**	$ 443,204
Restricted cash	**50,000**	50,000
Grants and contracts receivable	**76,441**	351,855
Pledges receivable	**3,880**	16,800
Prepaid expenses	**55,114**	132,266
Total Current Assets	**411,410**	994,125
Property and Equipment, net	**15,031,198**	15,560,650
Other Assets		
Investments	**821,766**	1,036,907
Notes receivable	**7,511,800**	7,511,800
Due from MACC Alliance	**17,225**	17,225
Total Other Assets	**8,350,791**	8,565,932
TOTAL ASSETS	**$ 23,793,399**	$ 25,120,707

LIABILITIES AND NET ASSETS	**2023**	2022
Current Liabilities		
Current portion of long-term debt	**$ 77,796**	$ 300,314
Accounts payable	**46,565**	35,771
Accrued payroll and related expenses	**159,897**	133,850
Accrued interest	**19,708**	19,708
Deferred revenue	**37,985**	25,375
Total Current Liabilities	**341,951**	515,018
Long-Term Debt, net	**14,487,113**	15,280,124
Total Liabilities	**14,829,064**	15,795,142
Net Assets		
Without donor restrictions:		
Designated by the Board of Directors	**589,032**	762,431
Undesignated	**8,126,770**	8,183,841
Total Without Donor Restrictions	**8,715,802**	8,946,272
With donor restrictions	**248,533**	379,293
Total Net Assets	**8,964,335**	9,325,565
TOTAL LIABILITIES AND NET ASSETS	**$ 23,793,399**	$ 25,120,707

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PLYMOUTH CHRISTIAN YOUTH CENTER

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Support and Revenues				
Contributions	$ 2,096,527	$ -	$ 2,096,527	$ 998,096
Minneapolis Public Schools	1,067,931	-	1,067,931	1,321,402
Government contributions	381,799	25,476	407,275	876,041
Contracts	550,000	-	550,000	550,000
Ticket and concessions revenue	57,151	-	57,151	18,676
Rental income	93,798	-	93,798	115,693
Other income	839	-	839	6,322
Investment return	160,382	-	160,382	(71,097)
In-kind contributions	18,511	-	18,511	-
Net Assets Released From Restrictions	156,236	(156,236)	-	-
Total Support and Revenues	4,583,174	(130,760)	4,452,414	3,815,133
Functional Expenses				
Program services:				
Education programs	1,669,364	-	1,669,364	1,576,372
Youth and family programs	495,335	-	495,335	491,220
Cultural arts programs	915,192	-	915,192	1,093,661
General and administrative	1,602,250	-	1,602,250	1,155,211
Fundraising	131,503	-	131,503	288,220
Total Functional Expenses	4,813,644	-	4,813,644	4,604,684
(Decrease) in Net Assets	(230,470)	(130,760)	(361,230)	(789,551)
NET ASSETS, BEGINNING OF YEAR	8,946,272	379,293	9,325,565	10,115,116
NET ASSETS, END OF YEAR	$ 8,715,802	$ 248,533	$ 8,964,335	$ 9,325,565

See Notes to Consolidated Financial Statements

PLYMOUTH CHRISTIAN YOUTH CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Services			
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services
Salaries	$ 936,384	$ 231,986	$ 425,628	**$ 1,593,998**
Employee benefits	96,651	24,189	43,851	**164,691**
Payroll taxes	108,463	27,730	48,335	**184,528**
Total Personnel Costs	1,141,498	283,905	517,814	**1,943,217**
Depreciation and amortization	321,559	79,637	145,353	**546,549**
Professional fees	8,819	1,726	114,229	**124,774**
Occupancy	-	10,712	20,217	**30,929**
Interest	137,214	33,982	62,024	**233,220**
Miscellaneous	2,854	628	12,961	**16,443**
Supplies	42,338	82,739	26,194	**151,271**
Office expense	14,636	682	11,228	**26,546**
Staff and volunteer development	446	1,270	4,774	**6,490**
Telecommunications	-	-	-	**-**
Travel	-	54	398	**452**
TOTAL FUNCTIONAL EXPENSES	$ 1,669,364	$ 495,335	$ 915,192	**$ 3,079,891**

See Notes to Consolidated Financial Statements

Support Services		
Management & General	Fundraising	Total Functional Expenses
$ 316,826	$ 4,068	**$ 1,914,892**
32,464	441	**197,596**
33,717	332	**218,577**
383,007	4,841	**2,331,065**
111,138	1,360	**659,047**
423,346	63,664	**611,784**
501,195	-	**532,124**
45,840	580	**279,640**
88,694	51,590	**156,727**
87	-	**151,358**
35,500	9,468	**71,514**
10,962	-	**17,452**
1,863	-	**1,863**
618	-	**1,070**
$ 1,602,250	$ 131,503	**$ 4,813,644**

PLYMOUTH CHRISTIAN YOUTH CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services			
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services
Salaries	$ 919,737	$ 259,810	$ 393,904	**$ 1,573,451**
Employee benefits	92,037	25,176	37,739	**154,952**
Payroll taxes	52,606	16,156	17,771	**86,533**
Total Personnel Costs	1,064,380	301,142	449,414	**1,814,936**
Depreciation and amortization	322,148	88,745	133,299	**544,192**
Professional fees	15,118	1,316	117,734	**134,168**
Occupancy	2,512	16,372	234,132	**253,016**
Interest	139,484	40,095	63,061	**242,640**
Miscellaneous	926	349	58,353	**59,628**
Supplies	24,858	25,267	15,545	**65,670**
Office expense	5,100	1,106	21,823	**28,029**
Staff and volunteer development	1,241	338	300	**1,879**
Telecommunications	294	-	-	**294**
Travel	311	16,490	-	**16,801**
TOTAL FUNCTIONAL EXPENSES	$ 1,576,372	$ 491,220	$ 1,093,661	**$ 3,161,253**

See Notes to Consolidated Financial Statements

Support Services		
Management & General	Fundraising	Total Functional Expenses
$ 197,225	$ 117,100	**$ 1,887,776**
21,085	11,596	**187,633**
10,680	8,881	**106,094**
228,990	137,577	**2,181,503**
79,470	40,342	**664,004**
419,854	74,148	**628,170**
289,758	-	**542,774**
87,818	35,174	**365,632**
9,482	599	**69,709**
6,151	-	**71,821**
30,416	334	**58,779**
1,613	-	**3,492**
1,659	-	**1,953**
-	46	**16,847**
$ 1,155,211	$ 288,220	**$ 4,604,684**

PLYMOUTH CHRISTIAN YOUTH CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
(Decrease) in net assets	$ (361,230)	$ (789,551)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	659,047	664,004
PPP loan forgiveness	-	(482,195)
Investment (income) loss retained in investments	(84,859)	82,888
Contributions restricted for long-term purposes	-	(118,150)
Amortization of loan origination fees	7,125	-
(Increase) Decrease in:		
Grants and contracts receivable	275,414	(16,259)
Pledges receivable	12,920	156,649
Prepaid expenses	77,152	(24,045)
Increase (Decrease) in:		
Accounts payable	10,794	(296,787)
Accrued payroll and related expenses	26,047	(38,950)
Deferred revenue	12,610	(24,625)
Net Cash Provided By (Used In) Operating Activities	635,020	(887,021)
Cash Flows From Investing Activities		
Proceeds from sale of investments	300,000	915,645
Purchase of investments	-	(70,049)
Expenditures for property and equipment	(129,595)	(52,228)
Net Cash Provided By Investing Activities	170,405	793,368

See Notes to Consolidated Financial Statements

	2023	2022
Continued		
Cash Flows From Financing Activities		
Proceeds from contributions received for long-term purposes	**-**	118,150
Proceeds from notes payable	**-**	2,400,000
Principal payments on long-term debt	**(1,022,654)**	(2,764,688)
Net Cash (Used In) Financing Activities	**(1,022,654)**	(246,538)
Net (Decrease) in Cash and Cash Equivalents	**(217,229)**	(340,191)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**493,204**	833,395
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 275,975**	$ 493,204
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**$ 225,975**	$ 443,204
Restricted cash	**50,000**	50,000
Total	**$ 275,975**	$ 493,204
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	**$ 272,515**	$ 365,632

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1. Organization and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the financial statements of Plymouth Christian Youth Center (PCYC) and Capri Real Estate Holding Company (CREHC), combined the Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Description of Organization

PCYC is a North Minneapolis-based nonprofit providing arts, education, youth development, and community programming since 1954. PCYC has owned and operated the Capri since 1984, a historic theater built in 1927 and the last of thirteen theaters that once operated on the northside of Minneapolis.

Mission: Rooted in North Minneapolis, PCYC ignites a spirit of inspiration, connection, and growth.

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

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Description of Organization (Continued)

Core Programs:

- Bright Futures: A free enrichment program providing academic and social-emotional skill building for K-5th grade students. Youth are provided an academic boost and a safe, nurturing place to spend their summers and afterschool hours. Focused on closing the achievement gap, children strengthen competencies year-round and maintain academic achievement levels over the summer.
- PYC Arts & Technology High School (PYC): A contract alternative high school enrolling youth whose educational needs have not been met by traditional schools. Students typically come behind in credit and achievement levels, and PYC's small class sizes and individualized attention successfully move them to graduate and prepare them for workforce, vocational, and college programs.
- The Capri: Recently expanded and renovated theater offers exceptional arts and technology programming for youth and community members. The theater provides affordable rental space, serves as a gathering place for community convening, and houses empowering youth programs like Camp Capri, Capri Apprentices, Capri After School Theater, and the Capri Best Buy Teen Tech Center
- Tech Center – Youth explore and grow their tech skills and interests with hands-on activities that translate directly to highly desirable job skills. Youth are provided valuable, career-building experiences in areas such as coding and computer programming, 3D printing, Adobe Creative Suite, robotics and circuitry, and graphic design. With access to state-of-the-art technology and mentors from the tech field who share lived experiences with the students, the teens become better prepared for today's tech-reliant jobs.

Strategic Goals:

- Innovative Models: Develop innovative and intersectional models for arts and education programs.
- Data Expertise: Establish PCYC "impact and decision-making through data" by having systems to collect and analyze data across the organization and within programs.
- People: Attract, recruit, retain, and develop mission-driven staff and board.
- Financial Sustainability + Infrastructure/Org Structure: Achieve financial stability and develop organization structure and infrastructure to support mission and vision.

Key Results: PCYC successfully completed the review process with the Charity Review Council of Minnesota, earning the Meets Standards seal for the 6th consecutive assessment period.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Description of Organization (Continued)

In the 2022-2023 fiscal year, 143 K-5th grade scholars enrolled in Bright Futures after-school and summer programs. Scholars participated in diverse and engaging experiences that promoted academic enrichment, social-emotional development, and skill-building, including virtual literacy programming, STEM learning, mindfulness activities, gardening and healthy eating, art clubs, and field trips with our various enrichment partners, including U of M Arboretum, Create MPLS, and Youth Guild Textile Center arts and crafts.

20 middle school-aged youth presented an inspiring performance of *Once on the Island, Jr.* This finale to our 7-week Summer Camp Capri program, youth celebrated with two sold-out nights and a total audience of more than 500.

PCYC enrolled 179 students during the 2022-2023 school year in PYC Arts & Tech High School and of those 24 were re-enrollments and 67 students received over 119 days of instruction. We had a graduation rate of 70% of eligible seniors. 100% of these graduates left PYC with plans for post-secondary education, vocational training, military service, or gainful employment following graduation.

The Best Buy Teen Tech Center at the Capri enrolled 210 students and provided access to state-of-the-art technology under the guidance of 3 PCYC staff, as well as expert contractors and mentors. Students explored their personal tech interests, strengthened STEM competencies, and developed career-building skills while creating individual and collaborative projects in areas including audio recording and production, coding and computer programming, photography and videography, 3D printing, Adobe Creative Suite, robotics and circuitry, and graphic design.

In addition to the ongoing curriculum, the Tech Center hosted drop-in, touch-and-explore events to peak students' interest in what the Tech Center offers. Including participant voice in programmatic decisions, over the past year the Tech Center has also engaged in drone immersion workshops, violence prevention roundtables, graphic design, music production, social justice conversations, International Day of the Girl, and community-wide STEM engagement and training events with Northside STEM.

In October, PCYC celebrated the two-year anniversary of the grand re-opening of the renovated and expanded Capri. Since re-opening, 19 theater companies have rented our stages including StageNorth, Walker Arts Center, Zamaya, Ten Thousand Things, Stages, Cecil Woodson, Deneal Trueblood, Exposed Brick, Theater23, and Wildwood Theater; 9 dance companies have used the space for showcases; 88 films have been screened in partnership with 17 different organizations and individuals; and 8 videos or movies have been shot on the Capri stage. Other artistic events by Capri programming, rentals, and partners since re-opening include 3 fashion shows, 4 spoken word events, the 2022 and 2023 Preserve Minneapolis Preservation Awards, and 45 concert performances.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Change in Accounting Principles

During 2023, the Organization adopted FASB Accounting Standards Update (ASU) No 2016-02, ASC 842 *Leases* which requires the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position and replaces existing lease guidance within accounting principles generally accepted in the United States of America. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted ASU 2016-02 with a date of initial application of July 1, 2021, and recognized and measured leases existing at, or entered into after, using a modified retrospective method, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing leases as either finance leases or operating leases, under the new guidance, without reassessing (a) whether the contract contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, no right-of-use asset or liability was recorded in the financial statements.

Basis of Accounting and Support and Revenue Recognition

The Organization maintains their books and records on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

For contracts that are within the scope of FASB ASC 606*, Revenue from Contracts with Customers,* the Organization performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Organization satisfies a performance obligation.

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Support and Revenue Recognition (Continued)

For performance obligations related to the Organization's ticket and concessions revenue, control transfers to the customer and revenue is recognized at a point in time when the events occur and no additional performance obligations are required. Performance obligations related to Minneapolis Public Schools are completed throughout the fiscal year as benefits are consumed and transferred to the schools. The Organization's over time contracts are billed on a fixed price basis and revenue is recognized over time as the benefits are consumed. The payment terms and conditions in customer contracts require payments as performance obligations are completed, therefore the Organization does not have any significant financing components.

Basis of Presentation

Financial statement presentation follows FASB ASC 958, *Not-For-Profit Entities*: *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets certain reserves.
>
> *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.

Cash and Cash Equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash and cash equivalents.

Restricted Cash

Restricted cash represents balances held by PCYC as required by a loan agreement.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal
investment expenses.

Grants, Contracts and Pledges Receivable

Grants, contracts and pledges receivable are stated at the amount management expects to collect from balances outstanding at the end of the period. Based on management's assessment of the credit history with customers and donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, no valuation allowance is maintained for these receivables. Balances that still outstanding after management has used reasonable collection efforts are written off. All receivables are expected to be collected within one year of the statement of financial position date.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at the date of donation and are being depreciated using the straight-line method over the estimated useful lives of the assets ranging from two to forty years. The Organization's policy is to capitalize and depreciate property and equipment purchased or obtained which has a cost in excess of $2,500 and an estimated useful life of at least one year.

Leases

When, at inception of an agreement, it is concluded an agreement includes a lease component, the Organization records an operating lease or finance lease based on the agreement. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in property and equipment as operating lease right-of-use (ROU) assets and current and long-term operating lease liabilities on the consolidated statements of financial position.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made prior to the commencement date and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the ROU asset and lease liability, the Organization has elected to use the risk-free rate based on information available at the commencement date for the lease term when determining the present value of lease payments.

In allocating consideration in the contract to the separate lease components and the non-lease components, the Organization uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is nonreciprocal, does not contain a barrier that must be overcome, and there is no right of return of assets transferred or release of a promisor's obligation to transfer assets present.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Donated Materials

Donated materials are recorded as contributions at the estimated fair value on the date received. The value of the contribution of materials is recognized as both revenue and an expense to the Organization. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased in not contributed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

The Organization expenses advertising costs as it incurs them. Advertising expense was $5,565 and $9,585 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization generally does not pay federal income tax. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the consolidated financial statements or related disclosures.

The Organization's federal information returns are subject to examination by the IRS, generally for three years after they were filed.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. The fair value of long-term debt and note receivable approximates carrying value because the terms are equivalent to borrowing rates currently available to the Organization for agreements with similar terms and maturities. See Note 4 for discussion of fair value regarding the Organization’s investments.

1. Description of the Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

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 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 periods. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and receivables. The Organization keeps its cash and cash equivalents and investments with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. The Organization had no cash balances in excess of the federally insured limits as of June 30, 2023 and 2022.

The Organization's investments are maintained in mutual funds and fixed income funds and are therefore subject to the inherent risk of investing in equity-based and debt-based securities and general market risk.

Management routinely assesses the financial strength of its customers and as a consequence, believes that receivables credit risk exposure is limited. See Note 14 for discussion of revenue concentrations.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the presentation in the 2023 financial statements. There were no changes to net assets as of June 30, 2023 and 2022.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2023, the date the financial statements were available to be issued.

2. Liquidity and Availability

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual, donor-imposed or board-imposed restrictions.

	2023	2022
Financial assets, end of year	**$ 8,689,862**	$ 9,410,566
Less those unavailable for general expenditure within one year due to:		
Note receivable	**7,511,800**	7,511,800
Designated by the board for reserves	**589,032**	762,431
Donor restricted endowment funds	**164,898**	164,898
Restricted by loan agreement	**50,000**	50,000
Restriction by donor for purpose	**58,159**	59,740
Financial assets available to meet cash needs for general expenditures within one year	**$ 315,973**	$ 861,697

Financial assets are considered available for general expenditure if there are no restrictions limiting their use, or if the restriction will be achieved through general operations of the Organization within one year of the statement of financial position date.

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. The board of directors may from time to time direct that certain funds or specific sources of revenue be set aside for reserves. The Organization's board designated funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of typical operations.

3. Investments

Investments, carried at fair value as determined on an open market, as of June 30, 2023 and 2022, consisted of the following:

	2023	2022
Money market funds	**$ 10,070**	$ 34,513
Mutual funds	**135,854**	174,101
Exchange traded funds	**656,187**	819,527
Fixed income	**19,655**	8,766
Total Investments	**$ 821,766**	$ 1,036,907

4. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

4. Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money market funds: Money market funds are reported at the fair value based on the quoted market price of the accounts or the accounts or similar assets by the Organization's brokerage firm.

Mutual funds: Mutual funds are reported at the fair value based on the quoted market price of the fund, as reported by the Organization's brokerage firm.

Exchange traded funds: Exchange traded funds are reported at the fair value based on the quoted market price of the fund, as reported by the Organization's brokerage firm.

Fixed Income: Fixed income funds are reported at the fair value based on the quoted market price of the fund, as reported by the Organization's brokerage firm.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 a different fair value measurement at the reporting date.

4. Fair Value Measurements (Continued)

The following tables reflect the Organization's investments within the fair value hierarchy at June 30, 2023 and 2022:

	As of June 30, 2023			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Money market funds	**$ 10,070**	$ 10,070	$ -	$ -
Mutual funds	**135,854**	135,854	-	-
Exchange traded funds	**656,187**	656,187	-	-
Fixed income	**19,655**	19,655	-	-
Total	**$ 821,766**	$ 821,766	$ -	$ -

	As of June 30, 2022			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Money market funds	**$ 34,513**	$ 34,513	$ -	$ -
Mutual funds	**174,101**	174,101	-	-
Exchange traded funds	**819,527**	819,527	-	-
Fixed income	**8,766**	8,766	-	-
Total	**$ 1,036,907**	$ 1,036,907	$ -	$ -

5. Note Receivable

Note receivable as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
1.00% Note receivable from Twain Investment, receivable in interest only payments until 2027, then quarterly principal receipts of $105,370 through April 2046	**$ 7,511,800**	$ 7,511,800

6. Property and Equipment

Property and equipment as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Land	**$ 113,625**	$ 113,625
Building and building improvements	**21,458,345**	21,330,131
Furniture and equipment	**327,145**	327,145
Total	**21,899,115**	21,770,901
Less: Accumulated Depreciation	**6,867,917**	6,210,251
Property and equipment, net	**$ 15,031,198**	$ 15,560,650

Depreciation expense for the years ended June 30, 2023 and 2022 was $659,047 and $664,004, respectively.

7. Long-Term Debt

Long-term debt at June 30, 2023 and 2022 consisted of the following:

PCYC:

	2023	2022
4.4% Mortgage payable; due in monthly principal and interest payments of $8,830 through December 2026, secured by substantially all assets	**$ 1,332,559**	$ 1,377,960
4.1% Note payable; due in monthly interest only payments through October 31, 2024 and capital campaign receipts during the term of the note, secured by Capri Theater, with a net book vale of $10,825,272 as of June 30, 2023	**977,661**	1,925,846
5.5% Mortgage payable; due in monthly principal and interest payments of $6,879 through December 2026, at which time a final principal payment is due; secured by substantially all assets	**956,312**	985,380
Non-interest bearing note payable; due in full on April 10, 2027 Note may be extended through October 2059, secured by substantially all assets	**700,000**	700,000
CREHC:		
1.493% Mortgage from the MMCDC New Markets Fund LII, LLC; due in interest only payments quarterly through January 2027, then quarterly principal and interest payments of $166,801 through October 2053, secured by land and building with a carrying value of $10,825,272 as of June 30, 2023	**3,700,900**	3,700,900
1.493% Mortgage from the MMCDC New Markets Fund LII, LLC; due in interest only payments quarterly through January 2027, then quarterly principal and interest payments of $68,692 through October 2053, secured by land and building with a carrying value of $10,825,272 as of June 30, 2023	**1,579,100**	1,579,100

7. Long-Term Debt (Continued)

CREHC (Continued):

	2023	2022
1.493% Mortgage from Sunrise New Markets Fund XXXVII, due in interest only payments quarterly through January 2027, then quarterly principal and interest payments of $171,759 through October 2053, secured by land and building with a carrying value of $10,825,272 as of June 30, 2023	**3,810,900**	3,810,900
1.493% Mortgage from Sunrise New Markets Fund XXXVII, due in interest only payments quarterly through January 2027, then quarterly principal and interest payments of $68,692 through October 2053, secured by land and building with a carrying value of $10,825,272 as of June 30, 2023	**1,524,100**	1,524,100
Total Long-Term Debt	**14,581,532**	15,604,186
Less: Deferred financing fees	**16,623**	23,748
Less: Current Portion	**77,796**	300,314
Long-Term Debt, net of current portion	**$ 14,487,113**	$ 15,280,124

Maturities of long-term debt as of June 30, 2023 were as follows:

Year Ending June 30,	Totals
2024	$ 77,796
2025	1,059,936
2026	86,150
2027	2,742,650
2028	-
Thereafter	10,615,000
Total	$ 14,581,532

The Organization was not in compliance with all covenants on the above 4.1% note payable as of June 30, 2023.

7. Long-Term Debt (Continued)

Paycheck Protection Program Loan

In February 2021, the Organization received a second Paycheck Protection Program loan for \$482,195 under the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act. The loan was used to pay employee payroll and related costs, rent and utilities. The Organization received forgiveness on the loan in October 2021. During the year ended June 30, 2022, the Organization recorded grant income of \$482,195, which represents the full amount of the Organization's PPP loan.

New Markets Tax Credits

New Markets Tax Credit Program financing arrangements have provided \$10,615,000 for 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.

In connection with the New Markets Tax Credit Program financing, the Organization, 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 for an 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, expenses and related right of use asset and lease liability resulting from this lease agreement are eliminated upon consolidation.

8. Net Assets

Board Designated

Board designated net assets as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Operating and debt reserve	**$ 417,326**	$ 549,035
Capacity building	**105,821**	96,674
Scholarships	**65,885**	116,722
Total Board Designated Net Assets	**$ 589,032**	$ 762,431

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Restricted for purpose:		
Scholarships	**$ 58,159**	$ 59,740
Restricted for time:		
Future periods	**25,476**	154,655
Endowments, held in perpetuity	**164,898**	164,898
Total Net Assets with Donor Restrictions	**$ 248,533**	$ 379,293

Net assets released from restriction through receipts of funds and/or through use of the funds for the donor-specified purpose for the years ended June 30, 2023 and 2022, totaled $156,236 and $5,935,704, respectively.

9. Retirement Plan

The Organization maintains a 401(K) retirement plan under which eligible employees may defer a portion of their salaries. The Organization matches the lesser of 25% of the participant's deferral or 1% of the participant compensation for the plan year. The Organization contributed $12,574 and $11,420 to the plan for the years ended June 30, 2023 and 2022, respectively.

10. Commitments

In January 2007, the Organization 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. The Organization has a long-term receivable from MACC Alliance in the amount of $17,225 as of both June 30, 2023 and 2022. For the years ended June 30, 2023 and 2022 fees paid to the MACC alliance totaled $277,717 and $271,006, respectively.

11. Endowment Fund

The Organization's endowment fund results from restricted contributions received for the fund.

The Organization's endowment consists of money market funds, mutual funds and exchange traded funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization's Board of Directors has interpreted Minnesota's 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. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

11. Endowment Fund (Continued)

In accordance with UPMIFA, the Organization 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 purpose of the organization 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 organization,
7. The investment policies of the organization.

The Organization has adopted a balanced investment strategy for the endowment fund. The investments of the endowment fund are rebalanced by the investment manager, at the direction of the finance committee.

It is the policy of the Organization for earnings over the basis in the endowment of $164,898 as of June 30, 2023 and 2022, to be available for unrestricted spending on normal operations.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor requires the Organization to retain as a balance for perpetual duration (underwater endowments). There were no underwater endowments as of June 30, 2023. At June 30, 2022 funds with original gift values of $164,898, fair values if $155,235, and deficiencies of $9,663 were reported in net assets with donor restrictions.

12. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

13. Revenue and Contract Balances

Revenue, disaggregated by timing of satisfaction of performance obligations, for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Performance obligations satisfied at a point in time	**$ 57,151**	$ 18,676
Performance obligations satisfied over time	**1,067,931**	1,321,402
Total	**$ 1,125,082**	$ 1,340,078

Revenue from performance obligations satisfied over time consists of Minneapolis Public Schools revenue. Revenue from performance obligations satisfied at a point in time consists of ticket and concessions revenue.

14. Concentrations

During the years ended June 30, 2023 and 2022 the Organization received approximately 24% and 35%, respectively, of total support and revenues from the Minneapolis Public Schools. If a significant reduction in the level of support were to occur from Minneapolis Public Schools it is reasonably possible that it may have a significant effect on the Organization's programs, activities and financial reporting.

In addition to the amounts above, the Organization receives significant government funding. 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.

The Organization had contributions from one donor totaling approximately $750,000 during the year ended June 30, 2023. The amount represents approximately 36% of total contributions in 2023.

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15. In-Kind Contributions

The Organization's financial statements include the following in-kind contributions revenue and support and associated expense:

> *Supplies* – The Organization received donated supplies, consisting of items used to reduce the costs of fundraising events. These items are recognized as in-kind contributions at fair value, with a corresponding expense as they are used. The Organization values these items at the face value or fair value on the date received depending on the nature of the item.

The Organization did not monetize any contributed non-financial assets and contributed non-financial assets did not have donor restrictions during the years ended June 30, 2023 and 2022.

In-kind contributions included in consolidated statement of activities and changes in net assets for the year ended June 30, 2023 consisted of $18,511 in fundraising miscellaneous expenses.