

Northside Economic Opportunity Network
Minneapolis, Minnesota

Combined Financial Statements
Auditor's Report
For the Years Ended
December 31, 2019 and 2018



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Northside Economic Opportunity Network
Minneapolis, Minnesota

We have audited the accompanying combined financial statements of Northside Economic Opportunity Network, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Northside Economic Opportunity Network as of December 31, 2019 and 2018, 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.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
June 25, 2020

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions	\$ 811,429	\$ 338,750	\$ 1,150,179	\$ 525,894	\$ 187,999	\$ 713,893
Program Fees	99,321	-	99,321	94,505	-	94,505
Sales	86,274	-	86,274	109,726	-	109,726
Interest and Other Income	8	-	8	2,878	-	2,878
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	317,000	(317,000)	-	429,517	(429,517)	-
Satisfaction of Time Restrictions	-	-	-	192,500	(192,500)	-
Total Support and Revenue	1,314,032	21,750	1,335,782	1,355,020	(434,018)	921,002
Expense:						
Program Services	911,186	-	911,186	891,625	-	891,625
Support Services:						
Management and General Fundraising	228,351	-	228,351	299,319	-	299,319
	143,012	-	143,012	117,595	-	117,595
Total Support Services	371,363	-	371,363	416,914	-	416,914
Total Expense	1,282,549	-	1,282,549	1,308,539	-	1,308,539
Change in Net Assets	31,483	21,750	53,233	46,481	(434,018)	(387,537)
Net Assets - Beginning of Year	46,458	287,999	334,457	(23)	722,017	721,994
Net Assets - End of Year	\$ 77,941	\$ 309,749	\$ 387,690	\$ 46,458	\$ 287,999	\$ 334,457

The accompanying Notes to Financial Statements are an integral part of these statements.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
COMBINED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Total Program Services	Support Services			Total All Services	Total All Services
Management & General		Fund- raising	Total Support Services			
Salary and Wages	\$ 428,999	\$ 90,960	\$ 54,456	\$ 145,416	\$ 574,415	\$ 541,691
Benefits	44,259	17,746	5,285	23,031	67,290	42,891
Payroll Taxes	39,500	7,323	5,009	12,332	51,832	48,914
Total Personnel Costs	512,758	116,029	64,750	180,779	693,537	633,496
Professional Fees	119,449	70,537	69,489	140,026	259,475	348,611
Occupancy	140,540	6,942	6,274	13,216	153,756	155,415
Office Expense	58,240	18,990	2,308	21,298	79,538	75,065
Other Expense	14,271	13,157	-	13,157	27,428	15,108
Staff and Volunteer	13,422	221	14	235	13,657	18,420
Telecommunication	4,919	2,099	177	2,276	7,195	7,376
Transportation	804	376	-	376	1,180	8,666
Depreciation	46,783	-	-	-	46,783	46,382
Total Expense	\$ 911,186	\$ 228,351	\$ 143,012	\$ 371,363	\$ 1,282,549	\$ 1,308,539

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
COMBINED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Support Services	
Salaries	\$ 391,032	\$ 104,405	\$ 46,254	\$ 150,659	\$ 541,691
Employee Benefits	41,314	1,542	35	1,577	42,891
Payroll Taxes	33,695	11,214	4,005	15,219	48,914
Total Personnel Costs	466,041	117,161	50,294	167,455	633,496
Professional Fees	179,041	121,707	47,863	169,570	348,611
Occupancy	113,368	22,783	19,264	42,047	155,415
Office Expense	57,695	17,196	174	17,370	75,065
Other Expense	7,020	8,088	-	8,088	15,108
Staff and Volunteer	14,722	3,698	-	3,698	18,420
Telecommunication	7,376	-	-	-	7,376
Transportation	7,833	833	-	833	8,666
Depreciation	38,529	7,853	-	7,853	46,382
Total Expense	\$ 891,625	\$ 299,319	\$ 117,595	\$ 416,914	\$ 1,308,539

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 83,436	\$ 79,982
Grants Receivable	368,174	281,899
Accounts Receivable - Net	15,036	40,170
Other Receivable	5,000	5,000
Prepaid Expense	5,415	7,182
Total Current Assets	<u>477,061</u>	<u>414,233</u>
Property and Equipment - Net	<u>89,398</u>	<u>132,968</u>
TOTAL ASSETS	<u>\$ 566,459</u>	<u>\$ 547,201</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 42,220	\$ 22,493
Notes Payable	105,036	158,497
Accrued Salaries and Vacation	31,013	26,754
Deferred Revenue	500	5,000
Total Current Liabilities	<u>178,769</u>	<u>212,744</u>
Net Assets:		
Without Donor Restrictions:		
Designated	60,000	60,000
Undesignated	17,941	(13,542)
Total Without Donor Restrictions	<u>77,941</u>	<u>46,458</u>
With Donor Restrictions	<u>309,749</u>	<u>287,999</u>
Total Net Assets	<u>387,690</u>	<u>334,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 566,459</u>	<u>\$ 547,201</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>Increase (Decrease) in Cash</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 53,233	\$ (387,537)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	46,783	46,382
Decreases (Increases) in Current Assets:		
Grants Receivable	(86,275)	97,601
Accounts Receivable	25,134	(5,987)
Other Receivables	-	(5,000)
Prepaid Expense	1,767	(5,078)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	19,727	2,611
Accrued Salaries and Vacation	4,259	(2,349)
Deferred Revenue	(4,500)	5,000
Net Cash Provided (Used) by Operating Activities	<u>60,128</u>	<u>(254,357)</u>
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(3,213)	-
Net Cash (Used) by Investing Activities	<u>(3,213)</u>	-
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Payable	119,734	123,600
Principal Payments on Notes Payable	(173,195)	(38,847)
Net Cash Provided (Used) by Financing Activities	<u>(53,461)</u>	<u>84,753</u>
Net Increase (Decrease) in Cash	3,454	(169,604)
Cash - Beginning of Year	<u>79,982</u>	<u>249,586</u>
Cash - End of Year	<u>\$ 83,436</u>	<u>\$ 79,982</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u>\$ 6,187</u>	<u>\$ 5,846</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies

Basis of Combination

The combined financial statements of Northside Economic Opportunity Network (NEON) include the accounts of NEON Property Maintenance LLC. NEON is the sole member of NEON Property Maintenance LLC which was founded May 18, 2016. All material inter-organizational transactions have been eliminated.

Organizational Purpose

NEON is a North Minneapolis community-based organization whose mission is to expand economic opportunities and build wealth for North Minneapolis residents through creation, growth, and development of small businesses in the North Minneapolis area. NEON works collaboratively with partner organizations to pursue these primary strategies: entrepreneur training, credit building, small business financing, microlending, business siting, technical assistance and support, and youth training. NEON's staff pursues these strategies directly through supporting activities which include community outreach, program administration, fundraising, collaborative efforts and support for commercial real estate development in the region. NEON's vision is to help create a prosperous sustainable North Minneapolis in collaboration with others, provide a wide array of services that raise the quality of life for North Minneapolis residents by creating and expanding economic opportunities for residents who start, own and operate those businesses.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to NEON, 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 which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts.

Net Assets with Donor Restrictions – The part of net assets of NEON resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in without donor-restricted support at the time of receipt.

Property and Equipment

All major expenditures over \$2,500 for property and equipment are capitalized at cost. Contributed furniture and equipment is recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

NEON recognizes revenue from program fees and sales when the performance obligations of services provided are met. Amounts received in advance of a service being performed are recorded as deferred revenue.

Grants and contributions are recognized when cash, securities or other assets, an unconditional 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 condition they depend have been substantially met.

A portion of the revenue is derived from cost-reimbursement 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 NEON has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the statement of financial position. NEON received cost-reimbursable grants of \$22,450 and \$30,822 that have not be recognized at December 31, 2019 and 2018 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the contracts and grants.

In-kind Contributions and Services

In-kind contributions and services are recorded at the fair market value of the services provided based on the number of hours of service provided, or fair market value of equipment provided.

Accounts Receivable and Doubtful Accounts

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 NEON does not charge interest on accounts receivable balances. NEON reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The allowance for doubtful accounts is \$17,620 and \$-0- as of December 31, 2019 and 2018, respectively.

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. No allowance for doubtful accounts has been provided as grants receivable are considered collectable.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Income Tax

NEON has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. NEON's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. NEON continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, NEON annually files a Return of Organization Exempt From Income Tax (Form 990).

Use of Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

NEON has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

NEON has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way NEON recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The ASU's have been applied retrospectively for the periods ended December 31, 2019 and 2018, as required.

Subsequent Events

NEON has evaluated the effect that subsequent events would have on the financial statements through June 25, 2020, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary closing of organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, NEON expects this matter to negatively impact its operating results, but reasonable estimates cannot be made at this time.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

2. Significant Concentrations of Credit Risk

NEON provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

3. Liquidity and Availability

The following represents NEON's financial assets as of:

	December 31,	
	2019	2018
Financial Assets:		
Cash	\$ 83,436	\$ 79,982
Grants Receivable	368,174	281,899
Accounts Receivable	15,036	40,170
Other Receivables	5,000	5,000
Total Financial Assets	471,646	407,051
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	309,749	287,999
Board Designated Reserve	60,000	60,000
Net Assets With Restrictions to be met within a year	(309,749)	(271,825)
Total Assets not available to be used within one year	60,000	76,174
Financial Assets Available for General Expenditures		
Within One Year	\$ 411,646	\$ 330,877

NEON has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

The board-designated reserve is not considered available for use within one year, but these amounts could be made available if necessary by board action.

As part of the NEON's liquidity plan, there is a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. Designated Net Assets

The Board of Directors made the following net asset designations as of:

	December 31,	
	2019	2018
Operating Reserve	\$ 60,000	\$ 60,000

5. Property and Equipment

NEON owned the following as of:

	December 31,		Estimated Useful Lives
	2019	2018	
Leasehold Improvements	\$ 205,401	\$ 205,401	5 years
Furniture and Equipment	38,673	35,460	3-5 years
	244,074	240,861	
Less Accumulated Depreciation	154,676	107,893	
	\$ 89,398	\$ 132,968	

Depreciation expense of \$46,783 and \$46,382 was recorded for the year ended December 31, 2019 and 2018, respectively.

6. Net Assets with Donor Restrictions

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

	December 31,	
	2019	2018
Subject to expenditure for specified purpose:		
Technical Assistance	\$ 20,924	\$ 124,999
Incubator Program	11,700	45,000
CRM/IT	2,125	18,000
Business Development	-	100,000
Subject to passage of time:		
Future Years General Operations	275,000	-
	\$ 309,749	\$ 287,999

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. Notes Payable

The breakdown of notes payable is as follows:

	December 31,	
	2019	2018
6.5% note payable to Propel Nonprofits. Payments of \$3,545 that includes principal and interest is due monthly. Remaining principal balance is due on July 16, 2019. The note is secured by NEON's assets.	\$ -	\$ 34,897
6.5% note payable to Propel Nonprofits. Interest only payments due monthly until February 28, 2019 when the principal and any remaining accrued interest is due. The note is secured by NEON's assets.	-	98,600
6.5% note payable to Propel Nonprofits. Payments of \$10,222 that includes principal and interest are due monthly until March 16, 2020. The note was paid off in March 2020. The note is secured by NEON's assets.	30,036	-
\$89,600 note payable - line of credit with Propel Nonprofits. Interest only payments at 6.5% are due monthly until October 2, 2020 when the principal and any remaining accrued interest is due. The note is secured by NEON's assets.	50,000	-
Interest free note payable to the Local Initiatives Support Corporation. The note is due on demand and secured by NEON's assets.	25,000	25,000
	105,036	158,497
Less Portion Due Within One (1) Year	105,036	158,497
Long-term Portion	\$ -	\$ -

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2020	\$ 105,036

NORTHSIDE ECONOMIC OPPORTUNITY NETWORK
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

8. Leased Facilities and Equipment

Rental commitments under noncancelable leases for office space and equipment in effect at December 31, 2019, total \$218,344. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2020	\$ 133,069
2021	60,572
2022	<u>24,703</u>
Total	<u>\$ 218,344</u>

Rental expense was \$141,553 and \$144,171 for the years ending December 31, 2019 and 2018, respectively.