

Ampersand Families

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2023 and 2022



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ampersand Families
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Ampersand Families (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ampersand Families as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ampersand Families 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ampersand Families' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ampersand Families' 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.

Carpenter Ent and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
October 2, 2023

AMPERSAND FAMILIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Financial Assets	\$ 356,831	\$ -	\$ 356,831	\$ 591,926	\$ 88,000	\$ 679,926
Contributions of Non-Financial Assets	58,767	-	58,767	18,271	-	18,271
Government Grants	2,299,439	-	2,299,439	1,431,897	-	1,431,897
Program Service Fees	11,125	-	11,125	1,600	-	1,600
Investment Income	738	-	738	1,799	-	1,799
Net Assets Released from Restrictions:						
Satisfaction of Purpose and Time Restrictions	17,500	(17,500)	-	5,730	(5,730)	-
Total Support and Revenue	2,744,400	(17,500)	2,726,900	2,051,223	82,270	2,133,493
Expense:						
Program Services	2,353,494	-	2,353,494	1,687,346	-	1,687,346
Support Services:						
Management and General Fundraising	388,718	-	388,718	316,733	-	316,733
	109,624	-	109,624	81,679	-	81,679
Total Support Services	498,342	-	498,342	398,412	-	398,412
Total Expense	2,851,836	-	2,851,836	2,085,758	-	2,085,758
Change in Net Assets	(107,436)	(17,500)	(124,936)	(34,535)	82,270	47,735
Net Assets - Beginning of Year	736,249	83,270	819,519	770,784	1,000	771,784
Net Assets - End of Year	\$ 628,813	\$ 65,770	\$ 694,583	\$ 736,249	\$ 83,270	\$ 819,519

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

AMPERSAND FAMILIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$ 20,145	\$ 459,051
Accounts Receivable	207	394
Pledges and Grants Receivable	760,034	410,778
Prepaid Expenses	26,461	21,999
Total Current Assets	806,847	892,222
Prepaid Expenses - Non-Current	7,964	7,964
Right-of-Use Asset	629,188	-
Property and Equipment - Net	52,662	39,004
TOTAL ASSETS	\$ 1,496,661	\$ 939,190
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 33,114	\$ 17,278
Accrued Salaries and Vacation	130,060	102,393
Lease Liabilities - Current	111,236	-
Total Current Liabilities	274,410	119,671
Lease Liabilities - Non-Current	527,668	-
Total Liabilities	802,078	119,671
Net Assets:		
Without Donor Restrictions:		
Undesignated	93,813	126,249
Board Designated	535,000	610,000
Total Without Donor Restrictions	628,813	736,249
With Donor Restrictions	65,770	83,270
Total Net Assets	694,583	819,519
TOTAL LIABILITIES AND NET ASSETS	\$ 1,496,661	\$ 939,190

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

AMPERSAND FAMILIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2023 WITH
COMPARATIVE TOTALS FOR 2022

	2023				2022	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 1,392,226	\$ 268,297	\$ 80,175	\$ 348,472	\$ 1,740,698	\$ 1,356,394
Employee Benefits	168,300	29,797	8,664	38,461	206,761	189,242
Payroll Taxes	95,023	16,823	4,891	21,714	116,737	97,818
Total Personnel Costs	1,655,549	314,917	93,730	408,647	2,064,196	1,643,454
Permanency Services	321,923	-	-	-	321,923	106,248
Professional Fees	95,892	21,762	4,416	26,178	122,070	112,348
Occupancy	85,293	19,634	3,967	23,601	108,894	87,605
Donated Photography	58,767	-	-	-	58,767	18,271
Office Expense	36,015	12,273	5,317	17,590	53,605	39,828
Staff and Volunteer Development	21,701	5,111	598	5,709	27,410	11,856
Insurance	22,108	2,454	-	2,454	24,562	17,281
Transportation	23,993	36	-	36	24,029	18,358
Telecommunication	15,025	1,747	699	2,446	17,471	13,995
Miscellaneous	1,880	9,581	641	10,222	12,102	10,096
Membership Dues	10,685	661	39	700	11,385	3,676
Depreciation	4,663	542	217	759	5,422	2,742
Total Expense	\$ 2,353,494	\$ 388,718	\$ 109,624	\$ 498,342	\$ 2,851,836	\$ 2,085,758

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

AMPERSAND FAMILIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2022

	Support Services				Total All Services
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 1,104,087	\$ 195,472	\$ 56,835	\$ 252,307	\$ 1,356,394
Employee Benefits	154,041	27,272	7,929	35,201	189,242
Payroll Taxes	79,622	14,097	4,099	18,196	97,818
Total Personnel Costs	<u>1,337,750</u>	<u>236,841</u>	<u>68,863</u>	<u>305,704</u>	<u>1,643,454</u>
Permanency Services	106,248	-	-	-	106,248
Professional Fees	52,787	53,584	5,977	59,561	112,348
Occupancy	78,845	6,132	2,628	8,760	87,605
Donated Photography	18,271	-	-	-	18,271
Office Expense	28,863	7,408	3,557	10,965	39,828
Staff and Volunteer Development	9,303	2,553	-	2,553	11,856
Insurance	15,553	1,728	-	1,728	17,281
Transportation	18,358	-	-	-	18,358
Telecommunication	12,615	953	427	1,380	13,995
Miscellaneous	4,693	5,258	145	5,403	10,096
Membership Dues	1,592	2,084	-	2,084	3,676
Depreciation	2,468	192	82	274	2,742
Total Expense	<u>\$ 1,687,346</u>	<u>\$ 316,733</u>	<u>\$ 81,679</u>	<u>\$ 398,412</u>	<u>\$ 2,085,758</u>

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

AMPERSAND FAMILIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (124,936)	\$ 47,735
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	5,422	2,742
Net Change in Operating Lease Activity	9,716	-
Increase (Decrease) in Liabilities:		
Accounts Payable	15,836	(34,439)
Accrued Salaries and Vacation	27,667	32,331
Decrease (Increase) in Assets:		
Accounts Receivable	187	(53,256)
Pledges and Grants Receivable	(349,256)	(118,156)
Prepaid Expenses	(4,462)	(5,180)
Net Cash (Used) by Operating Activities	(419,826)	(128,223)
Cash Flows from Investing Activities:		
Purchase of Property	(19,080)	(24,680)
Net Cash (Used) by Investing Activities	(19,080)	(24,680)
Cash Flows from Financing Activities:		
None	-	-
Net (Decrease) in Cash and Cash Equivalents	(438,906)	(152,903)
Cash and Cash Equivalents - Beginning of Year	459,051	611,954
Cash and Cash Equivalents - End of Year	\$ 20,145	\$ 459,051

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

AMPERSAND FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies

Organizational Purpose

Ampersand Families (the Organization) is a Minnesota nonprofit corporation. The purpose of the Organization is to provide adoption and permanency services to youth whose parents' rights have been terminated due to abuse and neglect, and to prospective adoptive parents interested in adopting youth out of Minnesota's foster care system. The Organization also does community outreach and education to raise awareness of the needs and rights of older youth who have experienced abuse, neglect and trauma, and to improve how the community cares for those youth.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, 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, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restriction – 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. The Organization 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 statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its donors and government contracts on terms it establishes. 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 the Organization does not charge interest on accounts receivable balances. No allowance for doubtful accounts has been provided, as accounts receivable are considered collectable.

AMPERSAND FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All leasehold improvements and equipment in excess of \$1,500 are capitalized at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method over an estimated useful life.

Revenue and Revenue Recognition

The Organization recognizes contributions 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 conditions on which they depend have been substantially met.

The Organization records contributions of nonfinancial assets at fair market value at date of donation. The Organization's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

A portion of our 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 we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under our federal and state contracts and grants.

The Organization recognizes program service fee revenue when the performance obligations of providing the services are met.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises-To-Give (Pledge and 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.

AMPERSAND FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$736,887 and lease liabilities totaling \$737,654 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income Tax

The Organization 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. The Organization'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. The Organization 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, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

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 the best estimates of management.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through October 2, 2023, which is the date financial statements were available to be issued.

AMPERSAND FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. Significant Concentrations of Credit Risk

The Organization provides services throughout Minnesota. The amounts due for accounts, grants and contributions receivable are from local residents, governments or institutions. The Organization received 84% and 68% of total funding from the State of Minnesota from two separate contracts, for both years ended June 30, 2023 and 2022, respectively. A significant reduction in this level of support, if it were to occur, could have an adverse effect on the Organization's programs and activities. The Organization has no reason to believe these contracts will not be renewed.

3. Contributions of Non-Financial Assets

The Organization records contributions of non-financial assets at fair market value at date of donation. Contributions of Non-Financial Assets include the following as of:

	June 30,	
	2023	2022
Photography	\$ 58,767	\$ 18,271

Contributions of Non-Financial Assets were utilized for programs during the years ended June 30, 2023 and 2022, and had no donor restrictions. Values were used based on the current market rates the Organization would have paid for the same services if they were not donated.

4. Designated Net Assets

The Organization's Board of Directors has designated funds for the following as of:

	June 30,	
	2023	2022
Operating Reserve	\$ 535,000	\$ 610,000

5. Pledges and Grants Receivable

The outstanding balance of pledges and grants receivable at June 30, 2023, is expected to be collected in the following fiscal year.

6. Property and Equipment

The Organization owned the following as of:

	June 30,		
	2023	2022	Estimated Useful Lives
Leasehold Improvements	\$ 40,404	\$ 21,323	5 – 15 Years
Office Furnishings	20,506	20,506	3 – 15 Years
Less Accumulated Depreciation	(8,248)	(2,825)	
	\$ 52,662	\$ 39,004	

Depreciation expense of \$5,422 and \$2,742 was recorded for the years ended June 30, 2023 and 2022, respectively.

AMPERSAND FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

7. Unemployment Compensation

The Organization has elected to self-insure unemployment tax claims.

8. Retirement Plan

The Organization has a Simple IRA that covers those employees who meet eligibility requirements. Contributions of \$34,105 and \$24,518 were made in the years ended June 30, 2023 and 2022, respectively.

9. Donor Restricted Net Assets

Donor restricted net assets consisted of amounts for the following as of:

	June 30,	
	2023	2022
Subject to Passage of Time:		
Future Years Operating and Program Support	\$ 60,000	\$ 75,000
Subject to Expenditures for Specified Purpose:		
Welcome Home Grants	5,770	8,270
Total Net Assets with Donor Restrictions	\$ 65,770	\$ 83,270

10. Liquidity and Availability

The following represents the Organization's financial assets as of:

	June 30,	
	2023	2022
Financial Assets:		
Cash	\$ 20,145	\$ 459,051
Accounts Receivable	60,207	238,187
Pledges and Grants Receivable	700,034	172,985
Total Financial Assets	780,386	870,223
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	65,770	83,270
Board Designated Net Assets	535,000	610,000
Net Assets With Restrictions to be met within a year	(65,770)	(83,270)
Total Assets not available to be used within one year	535,000	610,000
Financial assets available for general expenditures within one year	\$ 245,386	\$ 260,223

AMPERSAND FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

10. Liquidity and Availability (continued)

The Organization 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 Organization has Board Designated Net Assets that would be available to use for general expenditures with board approval.

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

11. Lease

The Organization is a party to one operating lease for office space. As disclosed in Note 1, the Organization adopted FASB ASC 842 for the year ended June 30, 2023.

As of June 30, 2023, the right-of-use (ROU) asset had a balance of \$629,188 as shown in noncurrent assets of the statement of financial position; lease liability is included in other current liabilities \$111,236 and other long-term liabilities \$527,668. The lease asset and liability were calculated utilizing a risk free rate of 1.37%, which the Organization has made an accounting policy to elect to use in lieu of the incremental borrowing rate

Additional information about the Organization's lease is as follows for the year ended June 30, 2023:

Lease Costs (included in occupancy):

Operating Lease Cost	\$ 117,120
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Other Information:

Cash paid for amounts included in measuring operating lease liabilities:

Operating cash flows from operating leases	\$ 117,164
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Lease assets obtained in exchange for lease obligations:

Operating leases	780,798
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Weighted-average remaining lease term (years)	5.50
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Weighted-average discount rate	1.37%
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Maturities of operating lease liabilities as of June 30, 2023:

Year Ending June 30:

2024	\$ 111,236
2025	114,552
2026	118,024
2027	121,556
2028	125,198
2029	<u>73,068</u>
Total Lease Payments	663,634
Less: Present Value Discount	<u>24,730</u>
Present Value of Lease Liabilities	<u>\$ 638,904</u>