

CONNECTABILITY OF MN, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ConnectAbility of MN, Inc.
St. Cloud, Minnesota

Opinion

We have audited the accompanying financial statements of CONNECTABILITY OF MN, INC. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 CONNECTABILITY OF MN, INC. as of December 31, 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. 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 CONNECTABILITY OF MN, INC. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 CONNECTABILITY OF MN, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Miller, Welle, Heiser & Co., Ltd.

MILLER, WELLE, HEISER & CO., LTD.
Certified Public Accountants

St. Cloud, Minnesota
April 30, 2024

CONNECTABILITY OF MN, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

ASSETS

	<u>2023</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 877,402
Accounts receivable	1,282,563
Grants receivable	6,568
Investments	220,176
Program supplies	121,106
Prepaid expenses	<u>23,409</u>
Total current assets	<u>2,531,224</u>
PROPERTY AND EQUIPMENT - NET	<u>1,071,924</u>
OTHER ASSETS:	
Security deposit	<u>5,101</u>
TOTAL ASSETS	<u>\$ 3,608,249</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>
CURRENT LIABILITIES:	
Current maturities of long-term debt	\$ 27,770
Accounts payable	1,268,498
Accrued wages	92,893
Accrued vacation	37,062
Accrued interest	<u>2,148</u>
Total current liabilities	<u>1,428,371</u>
Long-term debt, net of current maturities	<u>777,416</u>
Total liabilities	<u>2,205,787</u>
NET ASSETS:	
Without donor restrictions	1,357,765
With donor restrictions	<u>44,697</u>
TOTAL NET ASSETS	<u>1,402,462</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,608,249</u>

See accompanying notes to financial statements.

CONNECTABILITY OF MN, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Public Support:			
Contributions	\$ 43,807	\$ -	\$ 43,807
Grants	194,438	27,000	221,438
Contributions of nonfinancial assets	438,353	-	438,353
Total public support	<u>676,598</u>	<u>27,000</u>	<u>703,598</u>
Program Revenue:			
Fee for service income	<u>12,485,760</u>	<u>-</u>	<u>12,485,760</u>
Other:			
Interest income	3,173	-	3,173
Investment earnings, realized and unrealized gains (losses)	<u>16,868</u>	<u>-</u>	<u>16,868</u>
Total other	<u>20,041</u>	<u>-</u>	<u>20,041</u>
Net assets released from restrictions	<u>41,859</u>	<u>(41,859)</u>	<u>-</u>
Total revenues and support	<u>13,224,258</u>	<u>(14,859)</u>	<u>13,209,399</u>
EXPENSES:			
Program services	9,823,322	-	9,823,322
Management and general	597,606	-	597,606
Fundraising	<u>89,546</u>	<u>-</u>	<u>89,546</u>
Total expenses	10,510,474	-	10,510,474
Theft loss	<u>2,570,037</u>	<u>-</u>	<u>2,570,037</u>
Total expenses and losses	<u>13,080,511</u>	<u>-</u>	<u>13,080,511</u>
Change in net assets	143,747	(14,859)	128,888
Net assets at beginning of year	<u>1,214,018</u>	<u>59,556</u>	<u>1,273,574</u>
Net assets at end of year	<u>\$ 1,357,765</u>	<u>\$ 44,697</u>	<u>\$ 1,402,462</u>

See accompanying notes to financial statements.

CONNECTABILITY OF MN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,045,524	\$ 389,625	\$ 47,443	\$ 1,482,592
Payroll taxes	90,419	33,696	4,103	128,218
Employee benefits	57,812	21,401	2,555	81,768
Total salaries and related benefits	<u>1,193,755</u>	<u>444,722</u>	<u>54,101</u>	<u>1,692,578</u>
Program cost of services	8,380,363	-	-	8,380,363
Professional fees	7,915	32,554	6,050	46,519
Advertising expense	3,990	-	2,149	6,139
Office expense	26,648	26,648	13,324	66,620
Postage, shipping & delivery	-	881	220	1,101
Occupancy expense	115,962	41,915	5,287	163,164
Travel expense	19,431	1,778	1,324	22,533
Training & meeting expense	9,406	5,116	2,558	17,080
Interest expense	30,466	11,354	1,382	43,202
Insurance expense	8,750	3,261	397	12,408
Licenses & fees	846	94	-	940
Bank & credit card charges	484	57	28	569
Dues & subscriptions	5,438	17,495	709	23,642
Meals expense	565	1,317	-	1,882
Repairs & maintenance	2,548	2,548	1,274	6,370
Miscellaneous expense	375	1,762	-	2,137
Total expenses before depreciation	<u>9,806,942</u>	<u>591,502</u>	<u>88,803</u>	<u>10,487,247</u>
Depreciation	<u>16,380</u>	<u>6,104</u>	<u>743</u>	<u>23,227</u>
Total expenses	<u>\$ 9,823,322</u>	<u>\$ 597,606</u>	<u>\$ 89,546</u>	<u>\$ 10,510,474</u>

See accompanying notes to financial statements.

CONNECTABILITY OF MN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 128,888
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	23,227
Amortization of debt issuance costs	162
Net unrealized (gain) loss on investments	(16,868)
(Increase) decrease in:	
Accounts receivable	(383,376)
Grant receivable	35,636
Program supplies	(59,106)
Prepaid expenses	(1,496)
Increase (decrease) in:	
Accounts payable	652,925
Accrued wages	49,633
Accrued vacation	23,874
Accrued interest	<u>(181)</u>
Net cash provided (used) by operating activities	<u>453,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(82,227)
Purchase of investments	<u>(50,000)</u>
Net cash provided (used) by investing activities	<u>(132,227)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	<u>(25,972)</u>
Net cash provided (used) by financing activities	<u>(25,972)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	295,119
BEGINNING CASH AND CASH EQUIVALENTS	<u>582,283</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 877,402</u></u>

See accompanying notes to financial statements.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

This summary of the nature of operations and significant accounting policies of ConnectAbility of MN, Inc. (the Organization) is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations -

ConnectAbility of MN, Inc. (formerly known as United Cerebral Palsy of Central Minnesota, Inc.) is organized to advance the independence, productivity, and respect of people with physical and invisible barriers. Providing referral services to these persons to allow them to lead a safe and self-directed life. The Organization provides its services throughout the state of Minnesota.

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting. The accounting policies of the Organization conform to U.S. generally accepted accounting principles applicable to nonprofit organizations.

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 period. Actual results could differ from those estimates.

Cash and Cash Equivalents -

For purposes of reporting cash flows, the Organization considers all demand deposits and savings deposits to be cash equivalents.

Credit Risk Related to Cash -

The Organization maintains its cash and cash equivalents at multiple financial institutions. At times the amount on deposit exceeds the federally insured (FDIC) limit of the institution and exposes the Organization to a credit risk. The Organization exceeded the limit by \$633,444 at December 31, 2023.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Accounts Receivable and Credit Losses -

Accounts receivable have been adjusted for all known uncollectible accounts. Management monitors its accounts receivable on an on-going basis. Based on management's assessment of the credit history with customers, it has concluded that all balances outstanding at year-end are collectible.

Accounts receivable that are 90 days or more past due are \$5,540 as of December 31, 2023.

Property and Equipment -

Property and equipment are recorded at historical cost for all purchased items. Donated items are recorded at estimated fair value measured as of the date of contribution. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Fixed assets are being depreciated over the following lives:

	<u>Years</u>
Equipment and furniture	3-10
Building	39

Depreciation is computed using the straight-line method for financial reporting purposes. Depreciation expense for the year ended December 31, 2023 was \$23,227.

Long-Lived Assets -

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no impairment existed at December 31, 2023.

Investments -

The Organization carries its investments at fair value in accordance with generally accepted accounting principles for not-for-profit organizations. Investments consist primarily of money market funds, stocks, and mutual funds. Investments with readily determinable fair values are reported at fair value. Investments with no readily determinable fair value are carried at cost or estimated fair value, if lower.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Fair Value Reporting -

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which provides clarification and guidance regarding reporting of financial instruments at fair value. In accordance with FASB ASC 820, fair value is defined as the price that the Organization would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. FASB ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Organization's investments. The inputs are summarized in the three broad levels listed below:

- Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable.
- Level 3 – valuations based on inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

The following is a summary of the inputs used as of December 31, 2023 in valuing the Organization's investments carried at fair value:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 30,954	\$ 30,954	\$ -	\$ -
Equities	<u>189,222</u>	<u>189,222</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 220,176</u>	<u>\$ 220,176</u>	<u>\$ -</u>	<u>\$ -</u>

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Description of Net Assets -

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction is defined as that portion of net assets that has no use or time restrictions. Resources may be used at the discretion of the Board of Directors.

Net Assets With Donor Restriction is defined as that portion of net assets that consist of a donor or certain grantor imposed restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved.

The Organization has elected to present contributions received with donor restrictions which are fulfilled in the same fiscal year in which they are received, as without donor restriction contributions.

Overall Revenue Recognition -

The Organization recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization also recognizes revenue in accordance with ASU Topic 958, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides guidance in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal transactions).

The Organization has three revenue streams: contributions, grants, and fees for service. These revenue streams are discussed in more detail below. All revenues are recognized at a point in time.

Adoption of ASC 606 and ASU 958 did not have a material effect on the Organization's financial statements.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Contributions -

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 Statements of Activities as net assets released from restrictions. The Organization reports gifts of land, buildings and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. All other contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The Organization follows FASB ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. The amendments to this ASU assist the Organization in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of *Topic 958, Non-for-Profit Entities*, or as an exchange transaction (reciprocal transaction) subject to other guidance and (2) determining whether a contribution is conditional.

Grants -

Grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant, are made. Funds received but not yet earned are shown as deferred revenue. Grant amounts awarded, but not received, are reported as grants receivable. No allowance for credit losses from grants is deemed necessary for the year ending December 31, 2023.

Fee for Service -

Fee for service income is recorded as revenue when earned. Revenue is earned when services to be provided to the Organization's clients have been completed. Funds received but not yet earned are shown as deferred revenue. Services completed, but not collected, are reported as accounts receivable. No allowance for credit losses from fee for service revenue is deemed necessary for the year ending December 31, 2023.

Income Taxes -

The Organization is exempt from income taxes pursuant to Internal Revenue Code Section 501(c)(3). Therefore, no provision or liability for income taxes is included in the accompanying financial statements.

Advertising Costs -

The Organization's policy is to expense advertising costs as they are incurred. Advertising costs incurred totaled \$6,139 for the year ended December 31, 2023.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Functional Allocation of Expenses -

The Organization allocates salaries and related expenses based on time studies of actual time spent and the best estimates of management. Expenses which are not directly identifiable by program or supporting services are allocated based on various statistical bases that are considered best estimates of management. The costs of providing the program, management, and fundraising services have been summarized on the statement of functional expenses.

Uncertainty for Income Taxes -

The Organization is subject to the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has the greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Organization is open and subject to examination generally for three years after the filing date.

Management evaluated the tax positions for the Organization and concluded that the Organization had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

Date of Management's Review -

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2024, the date the financial statements were available to be issued, and have determined there are no subsequent events that require recognition or disclosure.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 2 **LIQUIDITY:**

The Organization regularly monitors and structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures at December 31, 2023:

	<u>2023</u>
Cash and cash equivalents	\$ 877,402
Accounts receivable	1,282,563
Investments	220,176
Program supplies	121,106
Grants receivable	<u>6,568</u>
Total	<u>\$ 2,507,815</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

NOTE 3 **CASH AND CASH EQUIVALENTS:**

	<u>2023</u>
Checking accounts	\$ 608,954
Savings and money market accounts	<u>268,448</u>
Total cash and cash equivalents	<u>\$ 877,402</u>

Interest income for the year ended December 31, 2023 was \$3,173.

During the year ended December 31, 2023 the Organization paid cash for interest totaling \$43,383.

NOTE 4 **PROPERTY AND EQUIPMENT:**

	<u>2023</u>
Furniture and equipment	\$ 1,800
Building	953,257
Land	150,000
Less: accumulated depreciation	<u>(33,133)</u>
Net property and equipment	<u>\$ 1,071,924</u>

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 5 **LINE OF CREDIT:**

2023

The Company had a \$50,000 line of credit available with BankVista, which matured in December, 2023 and was not renewed. Advances on the line of credit carried an interest rate based on prime which was 8.5% at maturity. The line of credit was secured by substantially all assets of the Organization.

\$ -

NOTE 6 **LONG-TERM DEBT:**

2023

Note payable to U.S. Small Business Administration (SBA) at 2.75% interest, due May, 2051; the note is secured by substantially all assets; monthly payments of \$641 include principal and interest.

\$ 140,142

Note payable to BankVista at 5.75% interest, due August, 2032; the note is secured by real estate; monthly payments of \$5,125 include principal and interest.

665,044

Total long-term debt

\$ 805,186

Less: unamortized debt issuance costs

-

Total long-term debt less unamortized debt issuance costs

805,186

Less current maturities

(27,770)

Long-term debt (net of current maturities)

\$ 777,416

Maturities of long-term debt for the years ending December 31 are summarized as follows:

2024	\$	27,770
2025		29,289
2026		30,893
2027		32,589
2028		34,382
Thereafter		<u>650,263</u>
	\$	<u>805,186</u>

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 7 **COMPENSATED ABSENCES:**

Employees earn “paid time off” (PTO) based on their length of service. Employees are compensated for unused PTO, up to 80 hours, upon termination. Estimated compensated absences payable at December 31, 2023 amount to \$37,062.

NOTE 8 **CONTRIBUTIONS OF NONFINANCIAL ASSETS:**

The Organization received in-kind donations of building and computer equipment, and program materials and supplies, during the year ended December 31, 2023. Any donated services are only recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense or asset in an amount approximating the estimated fair value at the time of the donation.

A substantial number of volunteers have donated a significant amount of time and services to the Organization. The value of such time and services has not been reflected in the financial statements, as an objective basis on which to value such services was not available.

All donated goods were utilized by the Organization’s programs and supporting services in the fiscal year donated. There were no donor-imposed restrictions associated with the donated goods.

The following is a summary of donated goods and services received by the Organization during the year ended December 31, 2023.

	<u>2023</u>
Building equipment	\$ 5,000
Computer equipment	6,370
Program materials and supplies	<u>426,983</u>
Total	<u>\$ 438,353</u>

NOTE 9 **LEASES:**

The Organization follows FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. For the year ended December 31, 2023, the Organization had no leases that met the criteria for capitalizing the right-of-use asset and corresponding lease liability as all remaining leases were for a period of less than twelve months.

The Company leased office space in St. Cloud, MN under an operating lease. The lease contained no significant restrictions. The lease provided for monthly payments ranging from \$3,500 per month to \$3,782 through April 2026. During the year ended December 31, 2022, the Organization purchased a building and moved its operations, and submitted sufficient notice to their landlord that they intended to vacate their leased office space, ending the lease in March, 2023.

CONNECTABILITY OF MN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023

NOTE 9 **LEASES (CONTINUED):**

The Company leases office space in Duluth, MN under an operating lease. The lease contains no significant restrictions. The lease provides for monthly payments of \$4,102 per month through July 2024.

Rent expense for the year ended December 31, 2023 was \$59,725.

At December 31, 2023 estimated future net minimum lease payments were as follows:

Year ending <u>December 31,</u> 2024	<u>\$ 28,715</u>
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NOTE 10 **RETIREMENT PLAN:**

Full-time employees of the Organization, upon meeting certain employment requirements, can participate in a SIMPLE IRA retirement plan. The plan allows for matching contributions from the Organization. During the year ended December 31, 2023, the Organization made matching contributions to the plan totaling \$9,289.

NOTE 11 **COMMITMENTS AND CONTINGENCIES:**

The Organization received approximately 96.9% of its total revenue from the State of Minnesota for its fee for service program revenue for the year ended December 31, 2023.

NOTE 12 **NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions as of December 31, 2023 consisted of the following donor and grantor restrictions:

	<u>2023</u>
Program restricted	<u>\$ 44,697</u>

NOTE 13 **THEFT LOSS – UNUSUAL OR INFREQUENT EVENT:**

During the year ended December 31, 2023 the Organization discovered it was involved in a misappropriation of funds where the Organization believed they were legitimately paying one of their vendors, but instead were paying a cyber-criminal who had setup a scheme to re-direct payments away from the intended vendor. The Organization determined that \$2,570,037 was paid from the Organization before the theft was discovered. Upon discovery, a criminal investigation was started, but law enforcement and the Organization do not believe the Organization will recover any of the funds. The Organization also communicated the events with the impacted vendor, and the Organization feels it is more likely than not that the vendor will not pursue re-payment of the funds, so no liability has been accrued at this time. The investigation is still on-going at the time these financial statements were available to be issued.