



## **EMERGE COMMUNITY DEVELOPMENT**

### **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2024**

# EMERGE COMMUNITY DEVELOPMENT

## CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
EMERGE Community Development  
Minneapolis, Minnesota

### Opinion

We have audited the accompanying consolidated financial statements of EMERGE Community Development (a nonprofit corporation) and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2024, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EMERGE Community Development and subsidiaries, as of December 31, 2024, and the changes in their net assets and their 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 (GAAS) in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 EMERGE Community Development 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(Continued)

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 EMERGE Community Development's ability to continue as a going concern within one year after the date that the consolidated 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 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 EMERGE Community Development's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EMERGE Community Development'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.

(Continued)

## **Report on Summarized Comparative Information**

We have previously audited EMERGE Community Development's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2024, and the consolidating statement of activities for the year ended December 31, 2024, are presented for the purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities, and are not a required part of the consolidated financial statements.

The consolidating financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2025, on our consideration of EMERGE Community Development's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EMERGE Community Development's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EMERGE Community Development's internal control over financial reporting and compliance.

July 15, 2025

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

# EMERGE COMMUNITY DEVELOPMENT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 405,546	\$ 246,609
Accounts receivable, net	309,777	265,277
Current portion of pledges and grants receivable	1,962,439	1,114,969
Inventory	141,427	127,790
Prepaid expenses	249,699	239,442
Total current assets	<u>3,068,888</u>	<u>1,994,087</u>
Pledges and grants receivable, less current portion, net	87,775	175,884
Other asset	50,000	93,600
Beneficial interest in asset held by community foundation	134,736	131,875
Property and equipment, net	8,093,341	8,341,077
Right of use asset, net	<u>497,432</u>	<u>205,810</u>
Total assets	<u>\$ 11,932,172</u>	<u>\$ 10,942,333</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 247,103	\$ 125,045
Accrued expenses	188,294	34,052
Accrued payroll and liabilities	427,844	332,775
Deferred revenue	7,113	18,000
Current portion of lease liability	306,067	67,741
Current portion of long-term debt	157,700	151,353
Total current liabilities	<u>1,334,121</u>	<u>728,966</u>
Noncurrent liabilities:		
Long-term debt, less current portion	1,557,807	1,715,113
Lease liability, less current portion	<u>191,365</u>	<u>138,069</u>
Total liabilities	<u>3,083,293</u>	<u>2,582,148</u>
Net assets:		
Without donor restrictions	8,008,460	7,677,176
With donor restrictions	840,419	683,009
Total net assets	<u>8,848,879</u>	<u>8,360,185</u>
Total liabilities and net assets	<u>\$ 11,932,172</u>	<u>\$ 10,942,333</u>

See accompanying notes to the consolidated financial statements.

# EMERGE COMMUNITY DEVELOPMENT

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

	2024			
	Without Donor Restrictions	With Donor Restrictions	Total	2023
Revenues and support:				
Government grants	\$ 7,197,224	\$ -	\$ 7,197,224	\$ 5,840,937
Production and sales revenue	4,070,258	-	4,070,258	3,192,854
Contributions	935,482	314,975	1,250,457	1,311,458
In-kind contributions	221,455	-	221,455	313,323
Other income	41,689	-	41,689	49,131
Investment return, net	13,024	-	13,024	12,313
Net assets released from restriction	157,565	(157,565)	-	-
Total revenues and support	<u>12,636,697</u>	<u>157,410</u>	<u>12,794,107</u>	<u>10,720,016</u>
Expenses:				
Program services:				
Workforce	6,320,974	-	6,320,974	5,340,112
Social Enterprises	<u>4,016,051</u>	<u>-</u>	<u>4,016,051</u>	<u>3,262,983</u>
Total program services	10,337,025	-	10,337,025	8,603,095
Management and general	1,696,165	-	1,696,165	1,448,004
Fundraising	<u>374,748</u>	<u>-</u>	<u>374,748</u>	<u>343,204</u>
Total expenses	<u>12,407,938</u>	<u>-</u>	<u>12,407,938</u>	<u>10,394,303</u>
Change in net assets before non-operating activity	228,759	157,410	386,169	325,713
Loss on impairment of investments	(43,600)	-	(43,600)	-
Gain (loss) on disposal of assets, net of insurance proceeds	13,120	-	13,120	(1,618)
Government grant for fixed assets	133,005	-	133,005	275,250
Loss on sale of Nielsen Metal Manufacturing	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,170)</u>
Change in net assets	331,284	157,410	488,694	488,175
Net assets, beginning of the year	<u>7,677,176</u>	<u>683,009</u>	<u>8,360,185</u>	<u>7,872,010</u>
Net assets, end of the year	<u>\$ 8,008,460</u>	<u>\$ 840,419</u>	<u>\$ 8,848,879</u>	<u>\$ 8,360,185</u>

See accompanying notes to the consolidated financial statements.

**EMERGE COMMUNITY DEVELOPMENT**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

	2024						2023
	Workforce	Social Enterprises	Total program Services	Management and general	Fundraising	Total	
Salaries and related:							
Salaries and wages	\$ 2,888,661	\$ 887,267	\$ 3,775,928	\$ 991,808	\$ 212,157	\$ 4,979,893	\$ 4,370,056
Payroll taxes	264,186	62,153	326,339	74,820	16,824	417,983	424,343
Employee benefits	484,117	108,075	592,192	95,295	26,444	713,931	588,601
Total personnel expenses	3,636,964	1,057,495	4,694,459	1,161,923	255,425	6,111,807	5,383,000
Cost of sales	-	2,117,570	2,117,570	-	-	2,117,570	1,704,672
Direct participant support	1,389,947	10,814	1,400,761	806	31	1,401,598	1,007,899
Subcontractors and professional fees	550,695	30,828	581,523	289,124	10,390	881,037	442,728
Staff and volunteer expenses	16,634	5,264	21,898	40,090	45,898	107,886	29,546
Advertising and marketing	10,570	2,248	12,818	2,325	2,390	17,533	931
Office expenses	67,365	18,546	85,911	15,154	12,162	113,227	102,225
Telecommunication	15,147	9,778	24,925	4,505	742	30,172	42,660
Information technology	58,739	10,380	69,119	52,691	12,978	134,788	74,008
Occupancy	324,517	231,545	556,062	63,104	17,647	636,813	649,462
Meals and entertainment	-	-	-	-	-	-	51,050
Conference, events and meetings	-	-	-	-	-	-	24,460
Transportation	15,545	189,421	204,966	1,515	191	206,672	167,459
Insurance	22,728	39,376	62,104	8,228	1,236	71,568	71,365
Interest expense	23,201	47,559	70,760	4,183	1,262	76,205	90,816
Depreciation	181,154	176,812	357,966	32,660	9,851	400,477	395,461
Credit losses	-	22,552	22,552	-	-	22,552	65,821
Bank fees	-	39,506	39,506	6,745	-	46,251	43,953
Dues and subscriptions	-	-	-	-	-	-	6,421
Miscellaneous expenses	7,768	6,357	14,125	13,112	4,545	31,782	40,366
Total functional expenses	<u>\$ 6,320,974</u>	<u>\$ 4,016,051</u>	<u>\$ 10,337,025</u>	<u>\$ 1,696,165</u>	<u>\$ 374,748</u>	<u>\$ 12,407,938</u>	<u>\$ 10,394,303</u>

See accompanying notes to the consolidated financial statements.



# EMERGE COMMUNITY DEVELOPMENT

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 488,694	\$ 488,175
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	400,477	395,461
Loss (gain) on sale and disposal of property and equipment	(13,120)	112,788
Write off of other assets	43,600	-
Change in beneficial interest	(2,861)	(12,313)
Amortization of discount on pledges receivable	(11,891)	-
Contribution for fixed asset	(133,005)	(275,250)
Reduction of right of use asset	195,756	66,893
Credit losses	22,552	65,821
Changes in operating assets and liabilities:		
Receivables	(814,522)	(457,964)
Inventory	(13,637)	(32,938)
Prepaid expenses	(10,257)	(20,217)
Lease liability	(195,756)	(66,893)
Accounts payable	122,058	(212,886)
Accrued expenses, and payroll and liabilities	249,311	5,341
Deferred revenue	(10,887)	18,000
Net cash from operating activities	316,512	74,018
Cash flows from investing activities:		
Purchase of property and equipment	(166,543)	(458,019)
Proceeds from sale of Nielsen Metal Manufacturing assets	-	110,000
Proceeds from insurance	26,922	-
Net cash from investing activities	(139,621)	(348,019)
Cash flows from financing activities:		
Contribution for fixed assets	133,005	275,250
Payments on long-term debt	(150,959)	(409,196)
Net cash from financing activities	(17,954)	(133,946)
Net increase (decrease) in cash	158,937	(407,947)
Cash and cash equivalents at beginning of year	246,609	654,556
Cash and cash equivalents at end of year	\$ 405,546	\$ 246,609
Additional disclosures:		
Cash paid for interest expense	\$ 76,205	\$ 90,816
Supplemental disclosure of noncash transactions		
Disposals of fully depreciated equipment	\$ 13,802	\$ -
Right of use asset obtained in exchange for lease liability	\$ 487,378	\$ -

See accompanying notes to consolidated financial statements.

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 1. ORGANIZATION

EMERGE Community Development's (EMERGE) mission is to reveal the potential in people and communities through skill building, employment, and economic opportunity. It envisions a world where all people have the opportunity to EMERGE and thrive.

This reflects EMERGE's commitment to support individuals facing significant obstacles to economic and employment prosperity through its programming and advocacy, and a commitment to create broader, systemic change, which will reduce or eliminate those challenges and barriers. Key organizational goals include promoting economic equity through various types of employment, training, financial coaching programs, and by creating jobs and wealth through social enterprise and community development activities.

EMERGE serves individuals and families through broad range of programs and enterprises that fall under two integrated units:

**Workforce** – Training, career coaching, job placement, career ladder, and ongoing support to help participants develop their wage-earning and wealth-building potential and increase access to professional development and career-oriented job opportunities.

**Social Enterprises** – Two distinct business operations in furniture resale and recycling that provide jobs and training for job seekers with high barriers to employment, primarily formerly incarcerated adults, while simultaneously providing high quality, essential services to communities, businesses, and government agencies throughout the Twin Cities area.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** - The consolidated financial statements of EMERGE Community Development (EMERGE) include the accounts of Emerge Enterprises, Inc., Second Chance Recycling LLC, Furnish Office and Home LLC, Nielsen Metal Manufacturing LLC, and Emerging Communities LLC (formerly Emerge Ventures LLC). Significant inter-entity transactions have been eliminated.

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues, and expenses. Actual results could differ from those estimates.

**Cash Equivalents** - For purposes of the statement of cash flows, EMERGE considers cash and other highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable and Credit Losses** - Accounts receivable are uncollateralized obligations and are recorded at amounts billed and are generally due at the time of billing. Amounts outstanding for more than 30 days are considered delinquent. EMERGE has tracked historical loss information for its accounts receivable and has compiled a historical loss percent of 25% of receivables balances over 90 days. EMERGE believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses. Additional receivables outside the historical loss percent calculation have been written off. As of December 31, 2024 and 2023, management has established allowances of \$35,325 and \$19,848 against accounts receivable.

**Pledges and Government Grants Receivables** - Pledges and government grants receivable are recognized in the period the unconditional promises-to-give are made and are stated at unpaid balances, less an allowance for doubtful pledges. Pledges and government grants receivable that are expected to be collected in greater than one year are recorded at the present value of estimated future cash flows. Amortization of the discount is included in related grant or contribution revenue. Management reviews receivables on a regular basis and establishes an allowance based on expected collections. No allowance was considered necessary at December 31, 2024 and 2023.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Inventory** - Inventory consists of both items for sale and items used in production. Inventory is valued at the lower of cost (first-in, first-out basis) or market.

**Beneficial Interest in Assets Held by a Community Foundation** – Emerge is a beneficiary of a designated agency fund held with the Minneapolis Foundation. The Minneapolis Foundation has variance power over the funds, which allows it to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization. The fund is held and invested by the Minneapolis Foundation for EMERGE's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

**Property and Equipment** - Property, equipment, and leasehold improvements in amounts greater than \$5,000 are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. Donated equipment is capitalized at the estimated fair market value at the date of receipt. Depreciation is calculated using the straight-line method over an estimated useful life.

**Impairment** - EMERGE reviews its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable.

**Contributions** - EMERGE 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 met.

**Government Grants** - A portion of EMERGE's revenue is derived from cost-reimbursable federal, state, county and city 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 EMERGE has met the performance requirement or incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to recognizing revenue are reported as refundable advances in the statement of financial position.

**Donated Materials** - Donated materials are recorded as contributions at their estimated fair market value in the period received. EMERGE'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 EMERGE to utilize it in its normal course of business, the asset will be sold.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Production and Sales Revenue** - Production revenue is recognized over a period of time when the performance obligations or events occur. Sales are recognized at the point of time of purchase. Payments received in advance are recorded as deferred revenue.

**Leases** - EMERGE assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. All of EMERGE's leases are operating leases.

Right of use (ROU) assets represent EMERGE's right to use an underlying asset for the lease term, and lease liabilities represent EMERGE's obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. EMERGE uses the risk-free interest rate at lease commencement.

Lease expense is recognized for these leases on a straight-line basis over the lease term. EMERGE's lease terms may include options to extend or terminate the lease when it is reasonably certain that EMERGE will exercise the option.

**Functional Expenses** - The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses that can be directly identified with the program or supporting services to which they relate are charged accordingly. The expenses that are allocated include occupancy, depreciation, telecommunications, salaries and wages, benefits, payroll taxes, office expenses, and information technology, which are allocated on the basis of employee of time and effort.

**Income Taxes** – EMERGE Community Development and Emerge Enterprises, Inc. are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent they have taxable income that is not related to their tax-exempt purpose. Unrelated business income is taxed at the corporate income tax rate. EMERGE did not have any unrelated business income in 2024 and 2023. EMERGE believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the consolidated financial statements.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The LLCs are single member companies wholly owned by Emerge Enterprises, Inc. with the exception of Emerging Communities LLC which is wholly owned by EMERGE Community Development.

The LLCs are considered disregarded entities and are included in the returns of the exempt organizations.

**Comparative Totals** – The financial statements include certain prior-year summarized comparative information in total but not by net asset class and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with EMERGE'S financial statements for the year ended December 31, 2023, from which the summarized information was derived.

#### 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash	\$ 405,546	\$ 246,609
Accounts receivable, net	309,777	265,277
Contributions and government grants receivable	<u>1,962,439</u>	<u>1,114,969</u>
Financial assets available for general expenditures within one year	<u>\$ 2,677,762</u>	<u>\$ 1,626,855</u>

Net assets with donor restrictions are removed from financial assets available for general expenditures within one year if it is likely that the restriction will not be satisfied during normal operations in the next year.

As part of EMERGE's liquidity plan, EMERGE has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. EMERGE also has a \$500,000 line of credit available if needed.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 4. FAIR VALUE MEASUREMENTS

The beneficial assets held in a community foundation are reported at fair value in the consolidated financial statements. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the entity has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and inputs other than quoted prices that are observable for the asset.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets that are measured at fair value on a recurring basis were as follows at:

December 31, 2024:	Level 1	Level 2	Level 3	Total
Assets				
Beneficial interest in assets held at a community foundation	\$ -	\$ -	\$ 134,736	\$ 134,736
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,736</u>	<u>\$ 134,736</u>
December 31, 2023:	Level 1	Level 2	Level 3	Total
Assets				
Beneficial interest in assets held at a community foundation	\$ -	\$ -	\$ 131,875	\$ 131,875
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,875</u>	<u>\$ 131,875</u>

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 4. FAIR VALUE MEASUREMENTS (Continued)

The following information reconciles the beginning and ending balances of fair value measurement using significant unobservable inputs (Level 3). The fair value of the beneficial interest is provided by Minneapolis Foundation based on its valuation of the underlying investments and EMERGE's interest in the fund. The fund holds various investments including fixed income, equity, and alternative investments. The alternative investments are stated at the fair value estimates of the investment managers in the absence of readily determinable values.

A summary of change in valuations in the year ended December 31:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 131,875	\$ 119,562
Grant distributions	(10,222)	—
Administrative fees	(1,296)	(1,271)
Change in market value	<u>14,379</u>	<u>13,584</u>
Ending balance	\$ <u><u>134,736</u></u>	\$ <u><u>131,875</u></u>

#### 5. PLEDGES AND GOVERNMENT GRANTS RECEIVABLE

Pledges and government grants receivable are due as follows:

2025	\$ 1,962,439
2026	<u>100,000</u>
	2,062,439
Less discount	<u>(12,225)</u>
Pledges and government grants receivable, net	2,050,214
Less current portion, net	<u>(1,962,439)</u>
Pledges and government grants receivable, net, noncurrent	\$ <u><u>87,775</u></u>

Pledges receivable are discounted to present value at the 3 year Treasury Rate of 4.31% in 2024.

(Continued)



## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2024	2023	Estimated useful life - years
Land	\$ 467,846	\$ 467,846	–
Buildings	2,107,435	2,107,435	30 – 40
Building improvements	8,224,060	8,074,147	10 – 40
Furniture, fixtures, and other equipment	1,150,581	1,133,951	2 – 15
Vehicles	250,159	273,159	2 – 7
Construction in progress	275,250	275,250	
	<u>12,475,331</u>	<u>12,331,788</u>	
Less accumulated depreciation	<u>(4,381,990)</u>	<u>(3,990,711)</u>	
	<u>\$ 8,093,341</u>	<u>\$ 8,341,077</u>	

Construction in progress represents significant building construction work which is expected to be completed in 2025. The total contracted amount is \$326,600.

#### 7. OTHER ASSET

EMERGE has contributed \$50,000 to a reserve balance and \$43,600 in contributed equity to PPLPUC Limited Liability Company (the Company). In 2024, \$43,600 was written off to adjust to the contributed cash amount. The Company is a general partner of Camden Apartments of Minneapolis, an affordable housing project located in Minneapolis. The reserve funds are expected to be returned to EMERGE before 2036.

#### 8. LINES OF CREDIT

EMERGE has a \$500,000 line-of-credit with Northeast Bank, NA, maturing September 1, 2025. Interest is due monthly calculated at .5% above prime rate. The interest rate at December 31, 2024, was 8.0%. The line-of-credit is secured by all inventory, receivables, and equipment of EMERGE. No funds were drawn on the line of credit as of December 31, 2024 and 2023.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 8. LINES OF CREDIT (Continued)

EMERGE also maintained a \$150,000 line-of-credit with Propel for Nonprofits, with interest due monthly at 6.5%. The line-of-credit was renewed on January 31, 2023, with expiration date of January 31, 2024. The line of credit was not renewed in January 2024.

#### 9. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
American National Bank	\$ 1,109,652	\$ 1,154,472
City of Minneapolis	389,655	417,835
Northeast Bank Note	155,267	202,007
Venn Foundation	55,556	83,333
Wells Fargo Equipment Finance	<u>5,377</u>	<u>8,819</u>
	1,715,507	1,866,466
Less current maturities	<u>(157,700)</u>	<u>(151,353)</u>
	<u>\$ 1,557,807</u>	<u>\$ 1,715,113</u>

**American National Bank** - Construction note payable to American National Bank in the original amount of \$1,250,000. Payments of \$7,542 that include principal and interest are due monthly with the remaining balance due December 20, 2039. The interest rate is adjusted every five years with the minimum rate of 3.95% and a maximum rate of 7.0%. The interest rate at December 31, 2024, was 5.16%. The note is secured by the property at 1179 15th Avenue Southeast, Minneapolis.

**City of Minneapolis** - Note payable due to the City of Minneapolis in the original amount of \$500,000 with 4% simple interest. Monthly interest only payments of \$1,667 were due through November 1, 2020, and principal and interest payments made thereafter of \$3,698 are due through November 1, 2034. The note is secured by the property at 1834 Emerson Avenue North, Minneapolis.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 9. LONG-TERM DEBT (Continued)

**Northeast Bank Note** - Note payable due to Northeast Bank, NA in the original amount of \$250,000 dated December 1, 2022, with simple interest of 6.75%. Principal and interest payments of \$4,932 are due monthly with remaining principal and interest due November 15, 2027. The note is secured by the property at 1179 15th Avenue Southeast, Minneapolis.

**Venn Foundation** - Note payable due to the Venn Foundation in the original amount of \$125,000, with simple interest of 2.5%. Interest only payments are due for all accrued interest on February 28, 2021 and 2022. One third of the then outstanding principal balance and any accrued interest is due February 28, 2023 and 2024. One half of the then outstanding principal balance and any accrued interest is due on February 28, 2025. Final payment of the remaining principal balance and all accrued interest is due on February 28, 2026. This note is unsecured.

**Wells Fargo Equipment Finance** - Note payable due to Wells Fargo Equipment Finance. Payable in monthly installments of \$306 through June 2026 when any unpaid remaining balance is due. The note is secured by equipment.

Maturities of long-term debt are as follows:

2025	\$ 157,700
2026	162,619
2027	134,093
2028	85,857
2029	89,466
Thereafter	<u>1,085,772</u>
	<u>\$ 1,715,507</u>

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets are for the following as of December 31:

	2024	2023
Subject to the passage of time:		
General operations	\$ 187,775	\$ 275,884
Beneficial interest - community foundation	134,736	131,875
Subject to the specified purpose:		
Housing Stability	192,658	-
Bridge the Gap program	50,000	-
Building project	275,250	275,250
Total net assets with donor restrictions	<u>\$ 840,419</u>	<u>\$ 683,009</u>

#### 11. IN-KIND CONTRIBUTIONS

In-kind contributions included the following as of December 31:

	2024	2023
Merchandise and furnishings	\$ 217,198	\$ 303,924
Other	4,257	9,399
Total in-kind contributions	<u>\$ 221,455</u>	<u>\$ 313,323</u>

All in-kind contributions received by EMERGE for the year ended December 31, 2024, were utilized for programming and did not have any donor restrictions. Values were determined based on prices of similar items available for sale.

#### 12. DIRECT PARTICIPANT SUPPORT

EMERGE provides various direct support to participants of its programs. Types of support provided include wages, stipends, transportation, incentives, rent support, supplies, training, and education.

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 13. RETIREMENT PLAN

EMERGE provides a defined contribution retirement plan which covers those employees who meet eligibility requirements. Contributions to the plan were \$213,219 in 2024 and \$160,914 in 2023.

#### 14. LEASES

EMERGE leases office space which began January 14, 2017, and expires January 14, 2027. The lease agreement requires monthly payments of \$5,829. The discount rate applied to calculate lease liabilities was 1.26%. Monthly lease payments are \$5,829.

The remaining lease term is 24 months at December 31, 2024.

Rent expense for the office space lease is \$67,741 and \$66,893 for the years ended December 31, 2024 and 2023.

EMERGE also leases store space which began July 1, 2024, and expires June 30, 2026. The lease agreement requires monthly payments of \$20,015. The discount rate applied to calculate lease liabilities was 4.77%. Monthly lease payments are \$20,015.

The remaining lease term is 18 months at December 31, 2024.

Rent expense for the store space lease is \$115,653 for the year ended December 31, 2024.

EMERGE also has other operating leases with terms of 12 months or less. Rent expense for the short term leases is \$110,249 and \$97,624 for the years ended December 31, 2024 and 2023.

The future minimum lease payments are as follows:

2025	\$	313,633
2026		193,541
Total lease payments		507,174
Less: Imputed interest		(9,742)
Present value of lease liability	\$	497,432

(Continued)

## EMERGE COMMUNITY DEVELOPMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

#### 15. CONCENTRATIONS AND CONTINGENCIES

EMERGE maintains cash in banks, which at times, may exceed the federally insured limits. EMERGE has not experienced any losses on these accounts. Management believes EMERGE is not exposed to any significant credit risk on such accounts. As of December 31, 2024 and 2023, cash balances exceeded the federally insured limit by \$237,157 and \$109,544.

For the year ending December 31, 2024, 22% of support and revenue is from Hennepin County.

For the year ending December 31, 2023, 12% of support and revenue is from the State of Minnesota Department of Economic Development (MN DEED) and 21% is from Hennepin County.

Receivables due from MN DEED represent 15% of all pledges and contributions receivable at December 31, 2023. Receivables due from Hennepin County represent 29% of all pledges and contributions receivable at December 31, 2023. A receivable from a nonprofit organization represents 21% of all pledges and contributions receivables at December 31, 2023.

EMERGE has several government grants that contain donor conditions (primarily that funds be expended for eligible costs before they are earned). Since these grants represent conditional promises to give, they are not recorded as revenue until the donor conditions are met. EMERGE has unearned conditional contributions from cost-reimbursable grants of approximately \$3 million at December 31, 2024.

EMERGE's library building has a historical designation which places certain restrictions on any future changes that can be made.

EMERGE received a grant from the Minnesota Department of Employment & Economic Development for construction of warehouse space for Second Chance Recycling. The grant requires the property to be operated as a recycling facility. If the property is no longer usable or needed by EMERGE, a written notice must be provided to the State and the Commissioner of Management and Budget 30 days prior to any attempt to sell.

(Continued)

## **EMERGE COMMUNITY DEVELOPMENT**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended December 31, 2024  
(With Comparative Information for 2023)

**16. SALE OF NIELSEN METAL MANUFACTURING ASSETS**

During 2023, EMERGE sold the equipment, website, inventory, and rights to the use of name of Nielsen Metal Manufacturing, LLC for \$110,000, resulting in a loss of \$111,170.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 15, 2025, the date which the consolidated financial statements were available for issue.

## **SUPPLEMENTARY INFORMATION**



# EMERGE COMMUNITY DEVELOPMENT

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2024

	Emerge Community Development	Emerge Enterprises	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 329,810	\$ 75,736	\$ -	\$ 405,546
Accounts receivable, net	38,908	270,869	-	309,777
Current portion of pledges and grants receivable	1,414,234	548,205	-	1,962,439
Inventory	-	141,427	-	141,427
Prepaid expenses	196,497	53,202	-	249,699
Due from ECD	-	1,413,105	(1,413,105)	-
Total current assets	1,979,449	2,502,544	(1,413,105)	3,068,888
Pledges and grants receivable, less current portion, net	87,775	-	-	87,775
Other asset	50,000	-	-	50,000
Beneficial interest in asset held by community foundation	-	134,736	-	134,736
Property and equipment, net	4,680,750	3,412,591	-	8,093,341
Right of use asset, net	138,069	359,363	-	497,432
Total assets	<u>\$ 6,936,043</u>	<u>\$ 6,409,234</u>	<u>\$ (1,413,105)</u>	<u>\$ 11,932,172</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 216,946	\$ 30,157	\$ -	\$ 247,103
Accrued expenses	64,890	123,404	-	188,294
Accrued payroll and liabilities	393,068	34,776	-	427,844
Deferred Revenue	7,113	-	-	7,113
Current portion of long-term debt	79,445	78,255	-	157,700
Current portion of lease liability	68,600	237,467	-	306,067
Due to EEI	1,413,105	-	(1,413,105)	-
Total current liabilities	2,243,167	504,059	(1,413,105)	1,334,121
Long-term debt, less current portion	465,477	1,092,330	-	1,557,807
Lease liability, less current portion	69,469	121,896	-	191,365
Total liabilities	2,778,113	1,718,285	(1,413,105)	3,083,293
Net assets:				
Without donor restrictions	3,915,272	4,093,188	-	8,008,460
With donor restrictions	242,658	597,761	-	840,419
Total net assets	4,157,930	4,690,949	-	8,848,879
Total liabilities and net assets	<u>\$ 6,936,043</u>	<u>\$ 6,409,234</u>	<u>\$ (1,413,105)</u>	<u>\$ 11,932,172</u>

See independent's auditor's report

# EMERGE COMMUNITY DEVELOPMENT

## CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

	Emerge Community Development	Emerge Enterprises	Eliminations	Total
Revenues and support:				
Government grants	\$ 6,673,020	\$ 524,204	\$ -	\$ 7,197,224
Production and sales revenue	-	4,070,258	-	4,070,258
Contributions	1,236,066	14,391	-	1,250,457
In-kind contributions	4,257	217,198	-	221,455
Other income	40,131	1,558	-	41,689
Investment return, net	(59)	13,083	-	13,024
Total revenues and support	<u>7,953,415</u>	<u>4,840,692</u>	<u>-</u>	<u>12,794,107</u>
Expenses:				
Program services:				
Workforce	6,320,974	-	-	6,320,974
Social Enterprises	-	4,016,051	-	4,016,051
Total program services	<u>6,320,974</u>	<u>4,016,051</u>	<u>-</u>	<u>10,337,025</u>
Management and general	1,491,812	204,353	-	1,696,165
Fundraising	349,788	24,960	-	374,748
Total expenses	<u>8,162,574</u>	<u>4,245,364</u>	<u>-</u>	<u>12,407,938</u>
Change in net assets before non-operating activity	(209,159)	595,328	-	386,169
Loss on impairment of investments	(43,600)	-	-	(43,600)
Government grant for fixed assets	-	133,005	-	133,005
Gain (loss) on disposal of assets, net of insurance proceeds	<u>-</u>	<u>13,120</u>	<u>-</u>	<u>13,120</u>
Change in net assets	(252,759)	741,453	-	488,694
Net assets, beginning of year	<u>4,410,689</u>	<u>3,949,496</u>	<u>-</u>	<u>8,360,185</u>
Net assets, end of year	<u>\$ 4,157,930</u>	<u>\$ 4,690,949</u>	<u>\$ -</u>	<u>\$ 8,848,879</u>

See independent auditor's report