

**STEPPING STONE EMERGENCY HOUSING
ANOKA, MINNESOTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

STEPPING STONE EMERGENCY HOUSING

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stepping Stone Emergency Housing
Anoka, Minnesota

Opinion

We have audited the financial statements of Stepping Stone Emergency Housing (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stepping Stone Emergency Housing as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Stepping Stone Emergency Housing 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.

Other Matter

The financial statements of Stepping Stone Emergency Housing for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on May 18, 2022.

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 Stepping Stone Emergency Housing's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS and *Government 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.

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

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 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 Stepping Stone Emergency Housing'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 Stepping Stone Emergency Housing'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Stepping Stone Emergency Housing
Anoka, Minnesota
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of Stepping Stone Emergency Housing'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 Stepping Stone Emergency Housing'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 Stepping Stone Emergency Housing's internal control over financial reporting and compliance.

Smith, Schafn and Associates, Ltd.

Minneapolis, Minnesota
March 29, 2024

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STEPPING STONE EMERGENCY HOUSING

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 974,339	\$ 1,057,414
Contracts receivable	399,944	148,374
Prepaid expenses	7,502	7,752
	<hr/>	<hr/>
Total Current Assets	1,381,785	1,213,540
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Property and Equipment		
Building	148,278	148,278
Leasehold improvements	125,364	125,364
Equipment	140,455	140,455
Construction in process	699,568	-
Total	1,113,665	414,097
Less: Accumulated depreciation	177,969	153,195
Property and Equipment, net of depreciation	935,696	260,902
Operating lease right-of-use asset	688,878	745,766
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Total Property and Equipment, net	1,624,574	1,006,668
	<hr/>	<hr/>
Other Assets		
Unemployment Services Trust	-	20,586
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,006,359	\$ 2,240,794

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Current portion of operating lease liability	\$ 50,024	\$ 34,449
Accounts payable	324,609	123,533
Accrued expenses	59,115	39,054
Sales and use tax payable	225	-
	<hr/>	<hr/>
Total Current Liabilities	433,973	197,036
Long-Term Liabilities		
Operating lease liability, net of current portion	685,534	735,557
	<hr/>	<hr/>
Total Liabilities	1,119,507	932,593
Net Assets		
Net assets without donor restrictions		
Undesignated	1,373,934	729,886
Board designated - operating reserve	512,918	512,918
Net assets with donor restrictions	-	65,397
	<hr/>	<hr/>
Total Net Assets	1,886,852	1,308,201
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TOTAL LIABILITIES AND NET ASSETS	\$ 3,006,359	\$ 2,240,794
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STEPPING STONE EMERGENCY HOUSING

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2022

With Comparative Totals For the Year Ended December 31, 2021

	Without	With	Totals	
	Donor Restrictions	Donor Restrictions	2022	2021
Revenue and Support				
Contributions	\$ 235,846	\$ -	\$ 235,846	\$ 384,628
Government contribution	1,429,056	-	1,429,056	711,432
Program service fees	1,364,823	-	1,364,823	1,316,863
Investment income	1,018	-	1,018	3,080
In-kind donations	50,000	-	50,000	50,000
Rental income	15,000	-	15,000	21,600
Vending income	2,270	-	2,270	3,272
Special events, net of direct benefit to donors	86,709	-	86,709	87,165
Other income	1,906	-	1,906	2,095
Net Assets Released From Restrictions	65,397	(65,397)	-	-
Total Revenue and Support	3,252,025	(65,397)	3,186,628	2,580,135
Expenses				
Program services				
Long Term Housing	251,217	-	251,217	211,896
Shelter	1,942,448	-	1,942,448	1,812,182
Stepping Home	15,911	-	15,911	18,120
Total program services	2,209,576	-	2,209,576	2,042,198
Management and general	230,174	-	230,174	267,145
Fundraising	168,227	-	168,227	120,087
Total Expenses	2,607,977	-	2,607,977	2,429,430
Increase (Decrease) in Net Assets	644,048	(65,397)	578,651	150,705
NET ASSETS – BEGINNING OF YEAR	1,242,804	65,397	1,308,201	1,157,496
NET ASSETS – END OF YEAR	\$ 1,886,852	\$ -	\$ 1,886,852	\$ 1,308,201

See Notes to Financial Statements

STEPPING STONE EMERGENCY HOUSING

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services			
	Long Term Housing	Shelter	Stepping Home	Total
Salaries and wages	\$ 49,196	\$ 766,927	\$ -	\$ 816,123
Payroll taxes	2,863	64,263	-	67,126
Employee benefits	6,804	84,336	-	91,140
Total Payroll Expenses	58,863	915,526	-	974,389
Professional fees	-	1,342	-	1,342
Contract services	8,910	80,630	-	89,540
Supplies	-	18,795	-	18,795
Telephone	684	13,849	-	14,533
Postage	-	620	-	620
Occupancy	6,529	44,850	7,311	58,690
Equipment	456	12,963	-	13,419
Repairs and maintenance	330	28,917	4,998	34,245
Dues and subscriptions	1,198	26,790	-	27,988
Food expenses	-	100,730	-	100,730
Client expenses	164,269	671,268	-	835,537
Insurance	-	9,900	3,156	13,056
Travel	1,889	2,517	-	4,406
Meetings	-	659	-	659
Staff development	-	3,043	-	3,043
Fundraising	-	760	-	760
Printing	-	33	-	33
Miscellaneous	8,089	9,256	446	17,791
Depreciation	-	-	-	-
Total Functional Expenses	251,217	1,942,448	15,911	2,209,576
Direct Benefit to Donors	-	-	-	-
FUNCTIONAL EXPENSE, NET OF DIRECT BENEFIT TO DONORS	\$ 251,217	\$ 1,942,448	\$ 15,911	\$ 2,209,576

See Notes to Financial Statements

Management and General	Fund Raising	Total
\$ 180,247	\$ 109,169	\$ 1,105,539
8,763	6,678	82,567
8,215	10,701	110,056
197,225	126,548	1,298,162
7,725	315	9,382
-	1,225	90,765
-	225	19,020
140	-	14,673
-	996	1,616
-	14,890	73,580
-	-	13,419
120	-	34,365
-	1,578	29,566
-	453	101,183
-	-	835,537
-	-	13,056
-	92	4,498
-	-	659
160	104	3,307
-	35,274	36,034
-	13,468	13,501
30	872	18,693
24,774	-	24,774
230,174	196,040	2,635,790
-	(27,813)	(27,813)
\$ 230,174	\$ 168,227	\$ 2,607,977

STEPPING STONE EMERGENCY HOUSING

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services			
	Long Term Housing	Shelter	Stepping Home	Total
Salaries and wages	\$ 15,909	\$ 635,142	\$ -	\$ 651,051
Payroll taxes	1,169	47,085	-	48,254
Employee benefits	5,754	73,942	-	79,696
Total Payroll Expenses	22,832	756,169	-	779,001
Professional fees	-	926	-	926
Contract services	4,280	32,162	-	36,442
Supplies	19	4,370	-	4,389
Telephone	39	11,905	-	11,944
Postage	-	-	-	-
Occupancy	8,538	43,062	7,938	59,538
Equipment	456	18,036	-	18,492
Repairs and maintenance	-	15,726	2,700	18,426
Dues and subscriptions	-	10,247	195	10,442
Food expenses	-	97,287	-	97,287
Client expenses	169,249	765,007	-	934,256
Insurance	-	9,420	2,516	11,936
Travel	1,297	2,492	-	3,789
Meetings	-	2,012	-	2,012
Staff development	35	7,573	-	7,608
Fundraising	-	-	-	-
Printing	-	142	-	142
Miscellaneous	5,151	17,375	-	22,526
Depreciation	-	18,271	4,771	23,042
Total Functional Expenses	211,896	1,812,182	18,120	2,042,198
Direct Benefit to Donors	-	-	-	-
FUNCTIONAL EXPENSE, NET OF DIRECT BENEFIT TO DONORS	\$ 211,896	\$ 1,812,182	\$ 18,120	\$ 2,042,198

See Notes to Financial Statements

Management and General	Fund Raising	Total
\$ 205,195	\$ 82,609	\$ 938,855
15,697	6,234	70,185
24,619	8,326	112,641
245,511	97,169	1,121,681
6,550	375	7,851
4,057	72	40,571
-	3,556	7,945
1,039	-	12,983
1,305	1,305	2,610
5,177	28,351	93,066
-	-	18,492
-	-	18,426
-	807	11,249
-	-	97,287
-	-	934,256
-	-	11,936
-	87	3,876
-	-	2,012
-	1,838	9,446
-	8,385	8,385
-	7,226	7,368
-	5,790	28,316
3,506	-	26,548
267,145	154,961	2,464,304
-	(34,874)	(34,874)
\$ 267,145	\$ 120,087	\$ 2,429,430

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STEPPING STONE EMERGENCY HOUSING

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in Net Assets	\$ 578,651	\$ 150,705
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,774	26,548
Noncash rent expense	22,440	24,240
Change in value of unemployment services trust	20,586	(6,075)
(Increase) Decrease in:		
Contracts receivable	(251,570)	(55,962)
Prepaid expenses	250	2,355
Increase (Decrease) in:		
Accounts payable	201,076	115,889
Accrued expenses	20,061	(11,260)
Sales and use tax payable	225	-
Net Cash Provided By Operating Activities	<u>616,493</u>	<u>246,440</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(2,715)
Payments for construction in process	<u>(699,568)</u>	<u>-</u>
Net Cash (Used In) Investing Activities	<u>(699,568)</u>	<u>(2,715)</u>
Increase (Decrease) in Cash and Cash Equivalents	(83,075)	243,725
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,057,414</u>	<u>813,689</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 974,339</u></u>	<u><u>\$ 1,057,414</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 45,480	\$ 43,680
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Right-of-use assets obtained in exchange for lease obligations

Operating lease	\$ -	\$ 802,156
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See Notes to Financial Statements

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STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description of Organization

Stepping Stone Emergency Housing, Inc. (SSEH, the Organization) provides emergency housing and support services to adults experiencing homelessness in Anoka County, Minnesota. SSEH accommodates up to 60 adults assisting with short-term housing, job and life skills, educational courses, and support in finding a place to live once they have graduated.

The Organization's programs are as following:

Long Term Housing - This is a community based housing program that provides case management to up to 16 former Stepping Stone residents who have a diagnosed disability.

Shelter - This program provides emergency housing and critical support services to up to 66 single adults 18 and over who are experiencing homelessness.

Stepping Home - This is another community based housing program, but three female residents stay in a home in Blaine, owned by Stepping Stone.

Change in Accounting Principles

During 2022, the Organization adopted FASB Accounting Standards Update (ASU) No 2016-02, ASC 842 *Leases* which requires the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position and replaces existing lease guidance within accounting principles generally accepted in the United States of America. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted ASU 2016-02 with a date of initial application of January 1, 2021, and recognized and measured leases existing at, or entered into after, using a modified retrospective method, with certain practical expedients available.

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

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2021 an operating lease liability and right-of-use asset of \$802,156 which represented the present value of the remaining operating lease payments of \$845,862 discounted using the risk free rate of 1.47%. For the year ended December 31, 2021, the adoption resulted in additional rent expense of \$24,240.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Change in Accounting Principles (Continued)

The standard had a significant impact on the Organization's statements of financial position, but did not have a significant impact on the statements of activities and changes in net assets, statements of functional expenses or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Also during the year ended December 31, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency around contributed nonfinancial assets, also known as in-kind gifts, including how those gifts are used and valued by the Organization. This update does not change existing recognition and measurement of in-kind gifts but requires additional presentation and disclosures related to contributed nonfinancial assets.

This update requires the Organization to present contributed nonfinancial assets as a separate line in the statement of activities and changes in net assets, apart from contributions of cash or financial assets. Disclosure requirements include disaggregation of the amount of nonfinancial assets recognized within the statement of activities and changes in net assets, qualitative detail and policy on if the contributed nonfinancial assets were monetized or utilized, description of programs that utilized contributed nonfinancial assets, donor restrictions on contributed nonfinancial assets, and detail on the valuation techniques used to arrive at a fair value of contributed nonfinancial assets. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure, and has been applied retrospectively.

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and unemployment claims.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Basis of Accounting and Support and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

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

Revenues are derived primarily by providing services to program participants through contracts with the State of Minnesota and Anoka County. Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

For performance obligations related to program service fees, control transfers to customers at a point in time based on the term of the contract. Revenues are recorded monthly based upon services provided for that month. For performance obligations related to vending income, special events, and other income, control also transfers to the customer at a point in time as goods are provided or as services are performed.

A portion of the Organization's 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 the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of \$1,323,486 and \$321,225 that have not been recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Cash and Cash Equivalents

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

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions Receivable

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

Property and Equipment

The Organization capitalizes acquisitions of equipment at cost or fair value at the date of gift for donations using a capitalization threshold of \$1,000. Depreciation of property and equipment is computed using the straight-line method over useful lives of 5 to 39 years.

Leases

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

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

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

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

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Leases (Continued)

The lease agreements have lease and non-lease components, which are generally accounted for separately. The amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Contributions

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

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

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

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

Tax Status

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

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

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

Unemployment Insurance

The Organization makes contributions to an unemployment services trust. The trust is a pooled fund that is used to pay unemployment claims made to the Organization. The trust's pooled assets were comprised of domestic and international equities, domestic bonds, and cash and cash equivalents.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization keeps its cash and cash equivalents with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. As of December 31, 2022 and 2021, the Organization had cash and cash equivalent balances of approximately \$289,000 and \$300,000, respectively, in excess of the federally insured limit.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. See Note 3 for further discussion on the fair value of the Organization's other assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. The allocation of expenses between programs is based on actual expenditures and allocations based on staff time records.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

Reclassifications

Certain reclassification have been made to the 2021 financial statements to conform with the presentation in the 2022 financial statements. There were no changes to net assets or changes in net assets as a result of the reclassifications for the years ended December 31, 2022 and 2021.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Prior Year Summarized Information

The financial statements include certain prior year summarized information in total but not by net asset class. 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 the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through March 29, 2024, the date the financial statements were available to be issued.

2. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual, donor-imposed or board-imposed restrictions.

	<u>2022</u>	<u>2021</u>
Financial assets, end of year	\$ 1,374,283	\$ 1,205,788
Less those unavailable for general expenditures within one year due to:		
Board designated reserves	(512,918)	(512,918)
Net assets with donor restrictions	-	65,397
Less net assets with restrictions to be met in less than one year	-	(65,397)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 861,365</u>	<u>\$ 692,870</u>

As part of the Organization's liquidity management plan, the Organization goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization's board designated funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of typical operations.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Fair Value Measurements

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

The three levels of the fair value hierarchy are described below:

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

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Unemployment Services Trust: Fair value represents the amount reported by the trust based on the quoted prices of the underlying investment holdings.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Fair Value Measurements (Continued)

The following tables reflect the Organization's investments within the fair value hierarchy at December 31, 2022 and 2021:

	As of December 31, 2022			
	Obligations Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Unemployment Services Trust	\$ -	\$ -	\$ -	\$ -

	As of December 31, 2021			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Unemployment Services Trust	\$ 20,586	\$ -	\$ 20,586	\$ -

4. Net Assets

There were no assets with donor restrictions at December 31, 2022. At December 31, 2021, the Organization had \$65,397 of net assets with donor restrictions. This amount was restricted for shelter capacity and staffing.

During the years ended December 31, 2022 and 2021, there were net assets of \$65,697 and \$70,220, respectively, released from restrictions by meeting the intended purpose.

5. Concentrations

The Organization received revenue and support from the State of Minnesota totaling approximately \$1,139,000 and \$1,334,000 during the years ended December 31, 2022 and 2021, respectively. This amount represents approximately 35% and 50% of total revenue and support in 2022 and 2021, respectively.

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Commitments

The Organization leases office facilities under an operating lease with Anoka County. The lease requires monthly payments of \$3,050, increasing to \$5,735 through August 2034.

The Organization also leases equipment under various non-cancelable operating leases, which require monthly payments ranging from \$99 to \$125 and expire between April 2023 and May 2028.

Rent expense for operating leases for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 67,920	\$ 67,920
Variable operating lease cost	164,095	157,491
	<u>\$ 232,015</u>	<u>\$ 225,411</u>

The weighted average remaining lease term for operating leases as of December 31, 2022 and 2021 was 11.6 and 12.5 years, respectively. The weighted average discount rate for operating leases as of December 31, 2022 and 2021 was 1.47%.

The following is a schedule by years of future annual minimum payments required under the leases described on the previous page:

<u>For the Years Ended December 31,</u>	<u>Totals</u>
2023	\$ 60,475
2024	70,588
2025	70,008
2026	70,008
2027	70,008
Thereafter	<u>459,295</u>
Total	800,382
Less: imputed interest	<u>64,824</u>
Total	<u><u>\$ 735,558</u></u>

STEPPING STONE EMERGENCY HOUSING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Functional Expenses

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

8. Revenue and Contract Balances

Performance obligations satisfied at a point in time totaled \$1,413,744 and \$1,357,104 for the years ended December 31, 2022 and 2021, respectively. Revenue from performance obligations satisfied at a point in time consists of program service fees, vending income, special events, and other income. Program service fees include services provided to clients, which are partially funded by the State of Minnesota and Anoka County.

9. In-Kind Contributions

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

Client expenses – The Organization receives donated food which is used to reduce the cost of programs. These items are recognized as in-kind contributions at fair value, with a corresponding expense as they are used. The Organization values these items at either face value or fair value on the date received depending on the nature of the item.

The Organization did not monetize any contributed nonfinancial assets and contributed non-financial assets did not have donor restrictions during the years ended December 31, 2022 and 2021.

In-kind contributions included in the statement of activities for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Program Services:		
Client expenses	\$ 50,000	\$ 50,000

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Stepping Stone Emergency Housing
Anoka, Minnesota

We have audited, in accordance with the auditing standards generally accepted 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, the financial statements of Stepping Stone Emergency Housing (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2024.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stepping Stone Emergency Housing's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stepping Stone Emergency Housing's internal control. Accordingly, we do not express an opinion on the effectiveness of Stepping Stone Emergency Housing's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stepping Stone Emergency Housing's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Stepping Stone Emergency Housing's Response to Findings

Stepping Stone Emergency Housing's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Stepping Stone Emergency Housing's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
March 29, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors
Stepping Stone Emergency Housing
Anoka, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Stepping Stone Emergency Housing's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Stepping Stone Emergency Housing's major federal program for the year ended December 31, 2022. Stepping Stone Emergency Housing's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Stepping Stone Emergency Housing complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Stepping Stone Emergency Housing and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Stepping Stone Emergency Housing's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Stepping Stone Emergency Housing's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Stepping Stone Emergency Housing's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Stepping Stone Emergency Housing's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Stepping Stone Emergency Housing's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Stepping Stone Emergency Housing's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Stepping Stone Emergency Housing's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
March 29, 2024

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STEPPING STONE EMERGENCY HOUSING

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022**

Federal Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through from Minnesota Department of Human Services:			
Emergency Solutions Grants Program (ESGP)	14.231	H5521ESGP H5522ESGP	\$ 151,582
Emergency Solutions Grants Program (ESG-CV)	14.231	H55ESGCVC H55ESGCVC2	388,792
Subtotal - U.S. Department of Housing and Urban Development			<u>540,374</u>
<u>U.S. Department of Treasury</u>			
Pass-through from Minnesota Department of Human Services:			
Coronavirus State and Local Fiscal Recovery Fund - Shelter Facilities	21.027	H55ARP001	<u>699,959</u>
Subtotal - U.S. Department of Treasury			<u>699,959</u>
Total Expenditures of Federal Awards			<u>\$ 1,240,333</u>

STEPPING STONE EMERGENCY HOUSING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Stepping Stone Emergency Housing (the Organization) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The Organization has not charged indirect costs to any of the federal programs. Therefore, the election of the 10 percent de minimis indirect cost rate is not applicable as allowed under the Uniform Guidance.

4. Subrecipients

The Organization did not pass any federal funds to subrecipients during the year ended December 31, 2022.

STEPPING STONE EMERGENCY HOUSING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- 1. Type of auditor's report issued: Unmodified

- 2. Internal control over financial reporting:
 - Material weakness(es) identified? Yes X No
 - Significant deficiency(ies) identified? X Yes None reported

- 3. Noncompliance material to financial statements noted? Yes X No

Federal Awards

- 1. Internal control over major federal programs:
 - Material weakness(es) identified? Yes X No
 - Significant deficiency(ies) identified? Yes X None reported

- 2. Type of auditor's report issued on compliance for major federal programs: Unmodified

- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Programs Tested as a Major Program

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
- 21.027	Coronavirus State and Local Fiscal Recovery Fund - Shelter Facilities

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

STEPPING STONE EMERGENCY HOUSING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 - Limited Segregation of Duties

CONDITION:	The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in entities of your size, but management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective control is management’s knowledge of matters relating to the Organization’s operations.
CRITERIA:	The Organization should have proper segregation to assure adequate internal control.
QUESTIONED COSTS:	None.
EFFECT:	No effect on the financial statements.
CAUSE:	The Organization has limited number of office personnel which prevents a proper segregation of accounting functions necessary to assure adequate internal control.
RECOMMENDATION:	We recommend that the Organization continue to segregate duties as best it can within the limits of what the Organization considers to be cost beneficial.
VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION:	Management agrees with the recommendation. See corresponding Corrective Action Plan.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

STEPPING STONE EMERGENCY HOUSING

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001 - Limited Segregation of Duties

CONDITION:	The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in entities of your size, but management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective control is management’s knowledge of matters relating to the Organization’s operations.
CRITERIA:	The Organization should have proper segregation to assure adequate internal control.
QUESTIONED COSTS:	None.
EFFECT:	No effect on the financial statements.
CAUSE:	The Organization has limited number of office personnel which prevents a proper segregation of accounting functions necessary to assure adequate internal control.
RECOMMENDATION:	We recommend that the Organization continue to segregate duties as best it can within the limits of what the Organization considers to be cost beneficial.
VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION:	Management agrees with the recommendation. See corresponding Corrective Action Plan.
CURRENT STATUS:	Finding recurred in 2022.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No federal program audit was required for the year ended December 31, 2021.

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Stepping Stone Emergency Housing
3300 4th Avenue North
Cronin Building #14
Anoka, MN 55303
763-323-7006
www.steppingstoneeh.org

*To provide emergency housing and support to Youth and Adult individuals,
who are 18 and older experiencing homelessness, as they strive towards self-sufficiency.*

CORRECTIVE ACTION PLAN (CAP):

Stepping Stone Emergency Housing respectfully submits the following corrective action plan for the year ended December 31, 2022. Audit period: January 1, 2022 – December 31, 2022.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2021-001

Explanation of Disagreement with the Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Findings:

Our Organization employs a limited number of individuals to provide the accounting services for the Organization. The Organization will continue to segregate duties as best it can within the limits of what it considers to be cost beneficial.

Official Responsible for Ensuring CAP:

Executive Director, Steve Griffiths, is the official responsible for ensuring correction action of the deficiency.

Planned Completion Date of CAP:

The Organization will continue to segregate duties the best it can within the limits of what it considers to be cost beneficial.

Plan to Monitor Completion of CAP:

The Board of Directors will monitor this process.