

Scott-Carver-Dakota CAP Agency, Inc.

Shakopee, Minnesota

Financial Statements and Supplementary Information
Years Ended September 30, 2019 and 2018

Scott-Carver-Dakota CAP Agency, Inc.

Financial Statements and Supplementary Information
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Independent Auditor's Report

Board of Directors
Scott-Carver-Dakota CAP Agency, Inc.
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Scott-Carver-Dakota CAP Agency, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scott-Carver-Dakota CAP Agency, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Scott-Carver-Dakota CAP Agency, Inc. adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities, as of and for the year ended September 30, 2019. The amendments have been applied on a retrospective basis with the exception of certain information as permitted by the ASU.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, Schedule A, which is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of state and local awards, Schedule B, are presented for the purpose of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 5, 2020, on our consideration of Scott-Carver-Dakota CAP Agency, Inc.'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 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 Scott-Carver-Dakota CAP Agency, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

February 5, 2020
Minneapolis, Minnesota

Scott-Carver-Dakota CAP Agency, Inc.

Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 576,738	\$ 361,676
Grants receivable	1,183,291	1,373,746
Accounts receivable	39,109	75,353
Prepaid expenses	17,969	41,519
Total current assets	1,817,107	1,852,294
Property and equipment, net of accumulated depreciation	3,549,809	3,687,456
TOTAL ASSETS	\$ 5,366,916	\$ 5,539,750
<u>LIABILITIES and NET ASSETS</u>		
Current liabilities:		
Current portion of deferred loans	\$ 22,000	\$ 137,000
Current portion of notes payable	63,122	60,095
Current portion of capitalized lease obligation	46,003	178,999
Accounts payable	229,558	340,249
Accrued payroll and related expenses	440,671	348,963
Grant funds received in advance	31,734	223,648
Funds held for others	523,511	410,168
Total current liabilities	1,356,599	1,699,122
Long-term liabilities:		
Deferred loans, less current portion	641,633	663,633
Notes payable, less current portion	604,549	667,671
Capitalized lease obligation, less current portion	-	45,952
Total long-term liabilities	1,246,182	1,377,256
Total liabilities	2,602,781	3,076,378
Net assets:		
Without donor restrictions	2,542,606	2,241,843
With donor restrictions	221,529	221,529
Total net assets	2,764,135	2,463,372
TOTAL LIABILITIES AND NET ASSETS	\$ 5,366,916	\$ 5,539,750

See accompanying notes to the financial statements.

Scott-Carver-Dakota CAP Agency, Inc.

Statements of Activities

Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Total
Revenue, support and gains:						
Grant revenue	\$ 10,680,242	\$ -	\$ 10,680,242	\$ 9,976,868	\$ -	\$ 9,976,868
Program income	992,017	-	992,017	995,802	-	995,802
Donations	459,433	-	459,433	519,700	2,558	522,258
Deferred loan forgiveness	137,000	-	137,000	48,770	-	48,770
In-kind contributions	39,682	-	39,682	6,974	-	6,974
Net assets released from restriction	-	-	-	118,190	(118,190)	-
Total revenue	12,308,374	-	12,308,374	11,666,304	(115,632)	11,550,672
Expenses:						
Federal, state and local programs:						
Child education	3,716,369	-	3,716,369	3,469,304	-	3,469,304
Energy assistance	898,709	-	898,709	995,477	-	995,477
Housing programs	1,794,401	-	1,794,401	1,590,553	-	1,590,553
Food programs	3,140,342	-	3,140,342	3,407,290	-	3,407,290
Community service programs	330,992	-	330,992	486,410	-	486,410
Other programs	369,740	-	369,740	334,816	-	334,816
Total program expenses	10,250,553	-	10,250,553	10,283,850	-	10,283,850
Supporting services expenses:						
Management and general	1,706,877	-	1,706,877	1,564,657	-	1,564,657
Fundraising and development	50,181	-	50,181	64,743	-	64,743
Total program expenses	1,757,058	-	1,757,058	1,629,400	-	1,629,400
Total expenses	12,007,611	-	12,007,611	11,913,250	-	11,913,250
Change in net assets	300,763	-	300,763	(246,946)	(115,632)	(362,578)
Net assets - Beginning of year	2,241,843	221,529	2,463,372	2,488,789	337,161	2,825,950
Net assets - End of year	\$ 2,542,606	\$ 221,529	\$ 2,764,135	\$ 2,241,843	\$ 221,529	\$ 2,463,372

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Functional Expenses Year Ended September 30, 2019

	Federal, State, and Local Programs							Total Program Expenses	Management and General	Fundraising and Development	Total Expenses
	Child Education	Energy Assistance	Housing Programs	Food Programs	Community Service Programs	Other Programs					
Salaries and wages	\$ 2,145,983	\$ 476,941	\$ 548,668	\$ 739,746	\$ 174,904	\$ 161,993	\$ 4,248,235	\$ 1,060,055	\$ 18,197	\$ 5,326,487	
Fringe benefits	545,666	100,488	115,927	154,000	49,082	31,433	996,596	231,761	4,446	1,232,803	
Travel and transportation	91,324	3,286	21,456	15,160	298	5,761	137,285	23,279	89	160,653	
Telephone and postage	42,190	5,445	9,362	15,808	2,241	2,602	77,648	10,132	563	88,343	
Supplies	44,977	1,494	2,224	1,918	202	596	51,411	53,024	446	104,881	
Small equipment and maintenance	66,659	11,989	11,196	22,991	472	309	113,616	54,032	10,007	177,655	
Space costs	114,216	20,155	205,461	90,949	75,208	9,536	515,525	29,383	447	545,355	
Direct client services	481,459	270,125	870,289	2,068,267	11,694	125,732	3,827,566	-	-	3,827,566	
Professional services	180,169	398	7,399	24,156	6,173	31,778	250,073	234,049	-	484,122	
Other costs	3,726	8,388	2,419	7,347	10,718	-	32,598	11,162	15,986	59,746	
Total expenses	\$ 3,716,369	\$ 898,709	\$ 1,794,401	\$ 3,140,342	\$ 330,992	\$ 369,740	\$ 10,250,553	\$ 1,706,877	\$ 50,181	\$ 12,007,611	

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Functional Expenses (Continued)

Year Ended September 30, 2018

	Federal, State, and Local Programs							Total Program Expenses	Management and General	Fundraising and Development	Total Expenses
	Child Education	Energy Assistance	Housing Programs	Food Programs	Community Service Programs	Other Programs					
Salaries and wages	\$ 2,037,428	\$ 488,804	\$ 459,680	\$ 798,056	\$ 320,656	\$ 123,368	\$ 4,227,992	\$ 963,443	\$ 14,521	\$ 5,205,956	
Fringe benefits	555,654	71,781	100,580	145,649	70,611	24,766	969,041	262,995	3,358	1,235,394	
Travel and transportation	66,795	2,166	16,155	11,816	7,712	3,681	108,325	22,291	6,067	136,683	
Telephone and postage	51,633	9,227	17,066	22,792	6,816	2,781	110,315	35,825	166	146,306	
Supplies	38,166	2,020	685	1,571	1,144	1,091	44,677	37,685	1,322	83,684	
Small equipment and maintenance	9,848	28,558	10,643	17,018	1,444	13,946	81,457	71,999	11,790	165,246	
Space costs	127,809	17,813	210,289	56,562	35,174	10,178	457,825	78,182	-	536,007	
Direct client services	448,181	323,914	755,118	2,302,154	26,350	120,925	3,976,642	-	-	3,976,642	
Professional services	133,790	2,115	20,337	51,448	13,581	27,106	248,377	90,941	18,259	357,577	
Other costs	-	49,079	-	224	2,922	6,974	59,199	1,296	9,260	69,755	
Total expenses	\$ 3,469,304	\$ 995,477	\$ 1,590,553	\$ 3,407,290	\$ 486,410	\$ 334,816	\$ 10,283,850	\$ 1,564,657	\$ 64,743	\$ 11,913,250	

Scott-Carver-Dakota CAP Agency, Inc.

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Increase in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 300,763	\$ (362,578)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	162,076	172,116
Bad debt expense	32,928	53,658
Deferred loans incurred and forgiven, net	(137,000)	(48,770)
Changes in operating assets and liabilities:		
Grants receivable	190,455	171,618
Accounts receivable	3,316	(60,223)
Prepaid expenses	23,550	(635)
Accounts payable	(110,691)	60,029
Accrued payroll and related expenses	91,708	72,319
Grant funds received in advance	(191,914)	25,748
Funds held for others	113,343	42,852
Net cash provided by operating activities	478,534	126,134
Cash flows from investing activities:		
Purchase of property and equipment	(24,429)	(35,543)
Cash flows from financing activities:		
Principal payment of long-term debt	(60,095)	(57,212)
Principal payment of capital lease	(178,948)	(171,240)
Net cash used in financing activities	(239,043)	(228,452)
Change in cash and cash equivalents	215,062	(137,861)
Cash and cash equivalents at beginning of year	361,676	499,537
Cash and cash equivalents at end of year	\$ 576,738	\$ 361,676
Schedule of other cash activity:		
Interest paid	\$ 20,534	\$ 31,275

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Scott-Carver-Dakota CAP Agency, Inc. (the "Organization") was organized as a nonprofit corporation in 1965. The Organization was formed to administer federal, state, and local grant assistance programs for disadvantaged persons in a three county area of east central Minnesota. For both years 2019 and 2018, approximately 53% of the Organization's grant funding is from various federal grants passed through the State of Minnesota. During 2019 and 2018, 6% and 13% is funded directly by the State of Minnesota. In addition, during 2019 and 2018, approximately 20% and 18% of the Organization's grant funding is received from the U.S. Department of Health and Human Services for its Head Start program. Grant funding for the ratio calculation includes grant revenue plus \$3,094,940 and \$2,960,307 of federal energy assistance client benefits paid directly by the State of Minnesota to utility companies on behalf of clients for the years ending September 30, 2019 and 2018, respectively.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization 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. The governing board has designated, from net assets without donor restrictions, amounts used for specific programs.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor 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 explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time as elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are recorded at the amount management expects to collect. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Management has determined that no allowance for doubtful accounts is necessary at year-end, but \$32,938 and \$54,658 was written off as bad debt expense for the years ended September 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are capitalized at cost and depreciated over their estimated useful lives under the straight-line method. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Property and equipment acquired are owned by the Organization while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds; therefore, the disposition of property or equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded property and equipment at September 30, 2019 and 2018, is \$1,836 and \$5,508, respectively.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program income represents amounts contributed by program beneficiaries. The contributions are to help defray the cost of the specific program in which the beneficiary received assistance. The contributions are recorded as net assets with donor restrictions due to the implied stipulation that the contributions be used in the program the beneficiary received assistance. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. If the restriction is satisfied in the same period the program contribution is received, the program contribution is reported as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants are recorded either as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Capital Lease

The Organization leases its Shakopee office building under an arrangement qualifying as a capital lease. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lease term. Amortization expense is included in depreciation expense.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2019 and 2018, the Organization incurred advertising costs totaling \$16,364 and \$59,851, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Minnesota franchise or income tax.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

In-kind contributions for space and professional services are recorded in the statement of activities and recognized as revenue and expenses in the period they are received in accordance with accounting standards that require only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. During the years ended September 30, 2019 and 2018, the Organization received \$39,682 and \$6,974, respectively, of such contributions for its various programs. Accounting standards are different than the in-kind requirements of several of the Organization's grant awards. During 2019 and 2018, the Organization received contributions of nonprofessional volunteer services and goods during the year of \$997,329 and \$1,095,810, respectively, for its various programs, which are not recognized in these financial statements.

Functional Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Space and related costs are allocated based on square footage.

Recently Adopted Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The ASU has been adopted retrospectively except for liquidity, which can be reported in the current period only. The adoption of this guidance did not have a material impact on the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through February 5, 2020, which is the date the financial statements were available to be issued.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following for the Organization as of September 30, 2019:

Cash and cash equivalents	\$ 576,738
Grants receivable	1,183,291
Accounts receivable	39,109
<hr/>	
Subtotal financial assets	1,799,138
Less: Funds held for tenant damages	(32,248)
Less: Current liabilities	(1,356,599)
Less: Net assets with donor restrictions	(221,529)
<hr/>	
Total	\$ 188,762

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form. The Organization can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization request reimbursement from the funding source. The Organization has commitments for future expenses of approximately \$6,847,557 from the funding sources at September 30, 2019.

Note 3: Concentration of Credit Risk

The Organization maintains cash balances at several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 4: Grants Receivable

The grants receivable balance consisted of amounts due from various agencies as follows at September 30, 2019 and 2018:

	2019	2018
Direct federal agencies	\$ 407,525	\$ 423,462
State of Minnesota	582,291	607,270
Other	193,475	343,014
<hr/>		
Totals	\$ 1,183,291	\$ 1,373,746

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 5: Funds Held for Others

The Organization acts as a fiscal agent to manage food shelf and other activities on behalf of four other organizations. The cash held is a liability, and the revenue and expenses are excluded from the Organization's statement of activities. The balance in funds held for others as of September 30, 2019 and 2018, was \$523,511 and \$410,168, respectively.

Note 6: Property and Equipment

Property and equipment consisted of the following at September 30, 2019 and 2018:

	2019	2018
Land and land improvements	\$ 538,696	\$ 538,696
Equipment	302,536	417,845
Building under capital lease	2,250,000	2,250,000
Buildings	3,260,313	3,246,384
Totals	6,351,545	6,452,925
Accumulated depreciation and amortization	(2,801,736)	(2,765,469)
<u>Property and equipment, net</u>	<u>\$ 3,549,809</u>	<u>\$ 3,687,456</u>

Note 7: Deferred Loans

Deferred loans payable consisted of the following at September 30, 2019 and 2018:

	2019	2018
HUD Supportive Housing, principal forgiven at the end of 20 years. Secured by an 8-plex at 1011 Bryant, South St. Paul, Minnesota, and a duplex at 13404-13406 Aldrich Avenue, Burnsville, Minnesota, payable on March 17, 2026, including 0% interest.	\$ 232,517	\$ 232,517
HUD Supportive Housing, forgiven 10% per year starting year 11 through year 20. Secured by a 6-plex at 215 South Street, South St. Paul, Minnesota, payable on September 1, 2022, including interest at 1%.	29,700	39,600
MHFA funds, forgiven 10% per year starting year 11 through year 20. Secured by a 5-plex at 20345 Iberia Avenue, Lakeville, Minnesota, payable at September 30, 2019, including 0% interest.	-	15,000
Dakota County CDA HOME funds, principal and interest forgiven after 20 years. Secured by a 5-plex at 20345 Iberia Avenue, Lakeville, Minnesota, payable at September 30, 2019, including interest at 0%.	-	100,000

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 7: Deferred Loans (Continued)

	2019	2018
Dakota County CDA HOME funds, interest forgiven after 30 years, principal due upon sale. Secured by a home at 4710 Grenada Point, Eagan, Minnesota, payable at March 16, 2028, including interest at 10%.	\$24,944	\$24,944
Dakota County CDA HOME funds, interest forgiven after 30 years, principal due upon sale. Secured by a home at 7802 Glenda Court, Apple Valley, Minnesota, payable at March 19, 2028, including interest at 10%.	20,909	20,909
Dakota County CDA HOME funds, principal and interest forgiven after 10 years. Secured by a duplex at 13406 Aldrich Ave So., Burnsville, Minnesota, payable at March 17, 2026, including interest at 1%.	229,263	229,263
HUD Supportive Housing, forgiven 10% per year starting year 11 through year 20. Secured by a 6-plex at 541 12 th Avenue North, South St. Paul, Minnesota, payable at November 11, 2021, including interest at 0%.	36,300	48,400
HUD Supportive Housing, principal forgiven at the end of 20 years. Secured by a 7-plex at 4309 124 th Street West, Savage, Minnesota, payable at August 18, 2025, including 0% interest.	90,000	90,000
Subtotal	663,633	800,633
Current portion	(22,000)	(137,000)
<u>Long-term deferred loans</u>	<u>\$ 641,633</u>	<u>\$ 663,633</u>

Forgiveness of deferred loans are as follows for the years ending September 30:

2020	\$ 22,000
2021	22,000
2022	22,000
2023	-
2024	-
Thereafter	597,633
<u>Total</u>	<u>\$ 663,633</u>

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 7: Deferred Loans (Continued)

Deferred loans must be repaid only upon sale of the properties or conversion of such properties from their required uses. Deferred loans are recorded at their principal amounts because no expiration dates for such obligations can be established; also, the loans are to be forgiven if no event triggers repayment prior to the expiration dates of the agreements. The Organization has the intention and believes it has the ability to maintain the properties in accordance with the agreements until the agreements expire.

Note 8: Notes Payable

Notes payable consisted of the following at September 30, 2019 and 2018:

	2019	2018
Note payable, secured by property used for permanent and transitional housing, no monthly payments and interest at 0% per annum, matures October 31, 2040.	\$ 414,079	\$ 414,079
Mortgage payable, secured by office building in Rosemount, Minnesota, monthly payments of \$6,183 include interest at 4.925% per annum, matures June 20, 2023.	253,592	313,687
Total	667,671	727,766
Current portion	(63,122)	(60,095)
<u>Long-term notes payable</u>	<u>\$ 604,549</u>	<u>\$ 667,671</u>

Future maturities of notes payable are as follows for the years ending September 30:

2020	\$ 63,122
2021	66,302
2022	69,643
2023	54,525
2024	-
Thereafter	414,079
<u>Total</u>	<u>\$ 667,671</u>

Interest expense for the years ended September 30, 2019 and 2018, was \$20,534 and \$31,275, respectively.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 9: Capitalized Lease Obligation

The Organization leases its Shakopee office building under an arrangement qualifying as a capital lease. The Organization's share of the land cost was \$250,000, and the building cost was \$2,250,000. The Organization pays monthly installments of \$15,448, with interest at 4.4% per annum. This agreement matures December 1, 2019. The cost of the building is being amortized over 40 years. The accumulated amortization was \$1,155,611 and \$1,099,489 as of September 30, 2019 and 2018, respectively.

	2019	2018
Total remaining payments required	\$ 46,344	\$ 231,669
Less - Amount representing interest	341	6,718
Amount representing principal	46,003	224,951
Less - Current portion	46,003	178,999
Long-term portion	\$ -	\$ 45,952

Future obligations of principal and interest at September 30, 2020 are \$46,344.

Note 10: Retirement Plan

The Organization has a 401(k) plan covering substantially all employees. The Organization contributes a match (Matching Contribution) equal to 50% of the first 6% of eligible earnings that the employee elects to contribute to the plan (Elective Deferrals). Employees must make Elective Deferrals in order to receive the Matching Contribution. The Matching Contribution is funded each pay period when the employee's Elective Deferrals are made and is calculated based on the employee's earnings for that pay period. Total expense for the years ended September 30, 2019 and 2018, was \$115,987 and \$107,612, respectively.

Note 11: Operating Lease Agreements

The Organization has several operating leases, primarily for space. Lease expense was \$166,050 and \$156,763 for the years ended September 30, 2019 and 2018, respectively.

The following is a schedule of approximate future minimum lease payments required under operating leases that have initial or remaining lease terms in excess of one year at September 30, 2019:

2020	\$ 138,601
2021	52,844
2022	1,496
2023	1,118
Total	\$ 194,059

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 12: Donor Restricted Net Assets

Net assets with donor restrictions for a specific purpose consisted of the following amounts at September 30, 2019 and 2018:

	2019	2018
Child education	\$ 20,246	\$ 20,246
Food shelf	173,655	173,655
Emergency services	20,408	20,408
Energy assistance	7,220	7,220
Totals	\$ 221,529	\$ 221,529

Note 13: Program Operations

The Organization has a grant with the State of Minnesota Department of Commerce for outreach, intake, eligibility, and certification of Low-Income Home Energy Assistance Program (LIHEAP) eligible participants. Client benefits are subsequently paid by the State of Minnesota. During 2019 and 2018, client benefits in the amount of \$3,094,940 and \$2,960,307, respectively, were paid by the state to utility companies on behalf of clients and are not included in the statement of activities as they were not part of the grant awards.

Note 14: Contingent Liability

The Organization participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Compliance issues raised from a program compliance audit could result in grant dollars being returned or reduced. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 15: Reclassifications

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Note 16: Grant Awards

At September 30, 2019, the Organization had commitments under various ongoing grant awards of approximately \$6,847,557. The revenue relating to these grants is not recognized in the accompanying financial statements because the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

Supplementary Information

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A-1

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Grant Award Number	CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-Through the State of Minnesota, Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	N/A	10.557	<u>\$ 2,113,688</u>
Passed-Through the State of Minnesota, Department of Education			
Child and Adult Care Food Program	N/A	10.558	<u>120,691</u>
Passed-Through the State of Minnesota, Department of Human Services			
SNAP Cluster:			
Supplemental Nutrition Assistance Program Outreach	GRK%133140	10.561	<u>25,762</u>
Total SNAP Cluster:			<u><u>25,762</u></u>
U.S. Department of Housing and Urban Development			
Passed-Through the State of Minnesota, Department of Human Services			
Emergency Solutions Grant Rehousing	GRK%126825	14.231	136,996
Emergency Solutions Grant Shelter	GRK%126825	14.231	45,212
Emergency Services Program	GRK%160925	14.231	940
Emergency Shelter Grants Program		14.231	<u>183,148</u>
Direct Grant			
Continuum of Care	MN0070L5K031710	14.267	29,407
Continuum of Care	MN0162L5K031709	14.267	84,141
Continuum of Care	MN0163L5K031709	14.267	185,596
Continuum of Care	MN0279L5K031704	14.267	49,808
Continuum of Care	MN0402L5K031700	14.267	252,095
CFDA Total 14.267			<u><u>601,047</u></u>
U.S. Department of Health and Human Services			
Passed-Through Metropolitan Area Agency on Aging, Inc.			
Aging Cluster:			
Special Programs for the Aging - Title III, Part C-Nutrition Services	311-18-03C8-113	93.045	<u>447,785</u>
Aging Cluster Total			<u><u>447,785</u></u>

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A-2

Schedule of Expenditures of Federal Awards (Continued)

Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Grant Award Number	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed-Through the State of Minnesota, Department of Commerce			
Low-Income Home Energy Assistance	131477/10083	93.568	<u>\$ 4,075,851</u>
Passed-Through the State of Minnesota, Department of Human Services			
Community Services Block Grant	GRK%127533	93.569	<u>502,938</u>
CCDF Cluster:			
Regional Baseline Child Care Resource & Referral Services	GRK%131116	93.575	<u>210,134</u>
CCDF Cluster Total			<u>210,134</u>
Direct Grant			
Early Head Start	05CH8401-04 & 05	93.600	702,210
Head Start	05CH8401-04 & 05	93.600	<u>2,054,604</u>
CFDA Total 93.600			<u>2,756,814</u>
U.S. Department of Homeland Security			
Passed-Through the State of Minnesota, Department of Human Services			
Emergency Food and Shelter Program	485910 Phase 30	97.024	<u>20,492</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 11,058,350</u></u>

Scott-Carver-Dakota CAP Agency, Inc.

Notes to the Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Scott-Carver-Dakota CAP Agency, Inc. under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Scott-Carver-Dakota CAP Agency, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Scott-Carver-Dakota CAP Agency, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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.

Note 3 - Energy Assistance Payments

Included in CFDA #93.568 are client benefits paid by the State of Minnesota of \$3,094,940. These expenditures are not included in the statement of activities.

Note 4 - Indirect Costs

Scott-Carver-Dakota CAP Agency, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - Subrecipients

Scott-Carver-Dakota CAP Agency, Inc. does not have subrecipients or subrecipient expenditures.

Scott-Carver-Dakota CAP Agency, Inc.

Schedule B

Schedule of State and Local Awards

Year Ended September 30, 2019

Program Title	Grantor	Grant Award No.	Expenditures
Family Homeless Prevention	Carver County	N/A	\$ 144,780
Women, Infants and Children	Carver County	N/A	7,500
Dakota County FHPHP	Dakota County	N/A	174,314
Dakota Quality Standards Inspections	Dakota County	N/A	544
Dakota Transitional & Supportive Housing	Dakota County	N/A	7,765
Food Shelf	Hunger Solutions	N/A	20,972
Minnesota State Early Head Start	Minnesota Department of Education	N/A	694,888
Minnesota State Head Start	Minnesota Department of Education	N/A	380,462
Minnesota State Head Start Pathways II	Minnesota Department of Education	N/A	125,000
Group Housing Residential	MN Dept. of Human Services	N/A	154,722
Home Youth Act	MN Dept. of Human Services	N/A	108,132
MN Economic Opportunity Grant	MN Dept. of Human Services	N/A	345,460
Transitional Housing Program	MN Dept. of Human Services	N/A	89,875
Head Start	Other local agencies	N/A	10,000
Continuum of Care	Other local agencies	N/A	23,400
Dakota Electric CIP	Other local agencies	N/A	97,769
MVEC CIP	Other local agencies	N/A	30,660
Shakopee Public Utilities CIP	Other local agencies	N/A	15,738
Local - Food Shelf	Other local agencies	N/A	4,933
Scott Family Net	Scott County	N/A	51,120
Head Start	United Way	N/A	218,223
SNAP Outreach	United Way	N/A	9,375
River Valley Nursing Center	Other local agencies	N/A	1,200
TOTAL STATE AND LOCAL AWARDS			\$ 2,716,832



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*

Board of Directors
Scott-Carver-Dakota CAP Agency, Inc.
Shakopee, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Scott-Carver-Dakota CAP Agency, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon February 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scott-Carver-Dakota CAP Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott-Carver-Dakota CAP Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Scott-Carver-Dakota CAP Agency, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott-Carver-Dakota CAP Agency, Inc.'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 determination of financial statement amounts. 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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 Scott-Carver-Dakota CAP Agency, Inc.'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 Scott-Carver-Dakota CAP Agency, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

February 5, 2020
Minneapolis, Minnesota



Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Scott-Carver-Dakota CAP Agency, Inc.
Shakopee, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Scott-Carver-Dakota CAP Agency, Inc.’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Scott-Carver-Dakota CAP Agency, Inc.’s major federal programs for the year ended September 30, 2019. Scott-Carver-Dakota CAP Agency, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Scott-Carver-Dakota CAP Agency, Inc.’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott-Carver-Dakota CAP Agency, Inc.’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of Scott-Carver-Dakota CAP Agency, Inc.’s compliance.

Opinion

In our opinion, Scott-Carver-Dakota CAP Agency, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.



Report on Internal Control Over Compliance

Management of Scott-Carver-Dakota CAP Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Scott-Carver-Dakota CAP Agency, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Scott-Carver-Dakota CAP Agency, Inc.'s 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

February 5, 2020
Minneapolis, Minnesota

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
<u>Name of Federal Major Program</u>	<u>CFDA No.</u>
U.S. Department of Agriculture Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
U.S. Department of Health and Human Services Low Income Home Energy Assistance Program	93.568
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

Scott-Carver-Dakota CAP Agency, Inc.

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

2018-001 – Material Adjustments

This finding was fully corrected in 2019.

2018-002 – Segregation of Duties

This finding was fully corrected in 2019.

2018-003 – Cash Management

This finding was fully corrected in 2019.

2018-004 – Reporting

This finding was fully corrected in 2019.