

# **Anoka County Community Action Program, Inc. and Affiliates**

Blaine, Minnesota

Consolidated Financial Statements and  
Supplementary Information

Year Ended December 31, 2018

# Anoka County Community Action Program, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information  
Year Ended December 31, 2018

---

## Table of Contents

Independent Auditor’s Report.....	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities.....	5
Consolidated Statement of Cash Flows .....	6
Notes to Consolidated Financial Statements.....	8
Supplementary Information	
Schedule of Expenditures of Federal Awards .....	25
Schedule of Program Activity.....	26
Schedule of Financial Information for Theatre Heights Property.....	28
Schedule of Financial Information for ACCAP Thousand Oaks Property .....	29
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	30
Independent Auditor’s Report on Compliance For Each Major Federal Program and Internal Control Over Compliance.....	32
Schedule of Findings and Questioned Costs.....	34



## **Independent Auditor's Report**

Board of Directors  
Anoka County Community Action Program, Inc.  
Blaine, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Anoka County Community Action Program, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement. The financial statements of ACCAP Thousand Oaks, LLC, ACCAP Thousand Oaks, LP, HTC Partnership LLC, ACCAP Liberty Park LP, ACCAP HUD Homes, LP, ACCAP Oak Manor, LP, ACCAP Woodfield, LP, ACCAP II LLC, ACCAP-Ramsey Townhomes and ACCAP/Rise Partnership were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anoka County Community Action Program, Inc. and Affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, Anoka County Community Action Program, 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 December 31, 2018.

## **Other Matters**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, Schedule A, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedules B through D are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019, on our consideration of Anoka County Community Action Program, Inc. and Affiliate'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 to solely 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 Anoka County Community Action Program, Inc. and Affiliate'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 Anoka County Community Action Program, Inc. and Affiliate's internal control over financial reporting and compliance.



Wipfli LLP

April 22, 2019  
Madison, Wisconsin

# Anoka County Community Action Program, Inc. and Affiliates

## Consolidated Statement of Financial Position

December 31, 2018

---

<i>Assets</i>	
Current assets:	
Cash	\$ 1,190,270
Investments	3,139,159
Grants receivable	847,466
Accounts receivable, net	64,383
Prepaid expenses	46,725
<hr/>	
Total current assets	5,288,003
<hr/>	
Other assets:	
Forgivable housing loans receivable	177,835
Restricted reserves	882,565
<hr/>	
Total other assets	1,060,400
<hr/>	
Property and equipment, net	22,976,700
<hr/>	
<b>TOTAL ASSETS</b>	<b>\$ 29,325,103</b>

---

---

See accompanying notes to consolidated financial statements.

# Anoka County Community Action Program, Inc. and Affiliates

## Consolidated Statement of Financial Position

December 31, 2018

### *Liabilities and Net Assets*

Current liabilities:		
Notes payable, current portion	\$	379,349
Mortgage payable, current portion		24,470
Forgivable loans payable, current portion		34,194
Capitalized lease obligations, current portion		100,000
Accounts payable		229,522
Security deposits		234,194
Accrued interest		13,202
Grant funds received in advance		80,094
Accrued payroll and related expenses		1,062,533
Total current liabilities		2,157,558
Long-term liabilities:		
Notes payable		8,489,575
Mortgage payable		990,132
Forgivable loans payable		530,148
Capitalized lease obligations		1,109,380
Accrued interest		469,808
Forgivable housing loans		51,935
Total long-term liabilities		11,640,978
Total liabilities		13,798,536
Net assets:		
Without donor restrictions		15,365,415
Without donor restrictions - board designated		90,404
Total net assets without donor restrictions		15,455,819
With donor restrictions		70,748
Total net assets		15,526,567
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 29,325,103</b>

See accompanying notes to consolidated financial statements.

# Anoka County Community Action Program, Inc. and Affiliates

## Consolidated Statement of Activities Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Grant revenue	\$ 12,935,125	\$ 38,474	\$ 12,973,599
Other revenue	2,735,877	0	2,735,877
Rental revenue	3,126,513	0	3,126,513
Investment income (loss)	( 158,184)	0	( 158,184)
Debt forgiveness	34,194	0	34,194
In kind	176,452	0	176,452
Net assets released from restriction through satisfaction of program restrictions	48,907	( 48,907)	0
<b>Total revenue</b>	<b>18,898,884</b>	<b>( 10,433)</b>	<b>18,888,451</b>
Expenses:			
Program activities:			
Housing rehabilitation	124,781	0	124,781
Head Start program	9,596,710	0	9,596,710
Energy assistance program	568,493	0	568,493
Childcare assistance and aware program	1,229,030	0	1,229,030
Special senior citizen programming	404,503	0	404,503
Building operations	3,348,682	0	3,348,682
Corporate activities	775,519	0	775,519
Other community services	602,954	0	602,954
Total program activities	16,650,672	0	16,650,672
Management and general	852,739	0	852,739
Fund-raising	54,162	0	54,162
<b>Total expenses</b>	<b>17,557,573</b>	<b>0</b>	<b>17,557,573</b>
Change in net assets	1,341,311	( 10,433)	1,330,878
Net assets at beginning of year	14,114,508	81,181	14,195,689
<b>Net assets at end of year</b>	<b>\$ 15,455,819</b>	<b>\$ 70,748</b>	<b>\$ 15,526,567</b>

# Anoka County Community Action Program, Inc. and Affiliates

## Consolidated Statement of Cash Flows

Year Ended December 31, 2018

Increase (decrease) in cash:

Cash flows from operating activities:

Change in net assets \$ 1,330,878

Adjustments to reconcile change in unrestricted net assets  
to net cash provided by operating activities:

Depreciation 1,047,902

Amortization of financing fees 8,978

Amortization of capitalized interest 1,697

Increase in assets on business acquisition ( 2,108,334)

Unrealized loss on investments 251,861

Loans forgiven ( 34,194)

Write off of forgivable loan receivable 9,250

Loss on disposal of property 15,050

Changes in operating assets and liabilities:

Grants receivable 270,086

Accounts receivable ( 21,382)

Prepaid expenses ( 28,873)

Accounts payable ( 246,193)

Security deposits 2,613

Accrued payroll and related expenses 24,026

Accrued interest 914

Grant funds received in advance 80,094

**Net cash provided by operating activities 604,373**

Cash flows from investing activities:

Purchase of investments ( 488,978)

Cash received in business acquisition 18,545

Collection on advances to partnerships 75,839

Purchase of property and equipment ( 5,277)

Proceeds from sale of investments 406,547

Net withdrawals from restricted reserves 175,383

**Net cash provided by investing activities 182,059**



# Anoka County Community Action Program, Inc. and Affiliates

## Consolidated Statement of Cash Flows

Year Ended December 31, 2018

---

Cash flows from financing activities:	
Principal payments on notes payable	( 463,360)
Principal payments on mortgage payable	( 23,511)
Principal payments on capital leases	( 94,998)
<hr/>	
Net cash used in financing activities	( 581,869)
<hr/>	
Change in cash	204,563
Cash - Beginning of year	985,707
<hr/>	
Cash - End of year	\$ 1,190,270
<hr/>	
<b>Other cash activity:</b>	
Interest paid and expensed	\$ 237,061
<b>Other noncash investing and financing activity:</b>	
See Note 20 on business acquisition	

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Anoka County Community Action Program, Inc. (ACCAP) was organized as a nonprofit corporation in 1965. ACCAP was formed to act as an innovative catalyst for empowering lower income Anoka County residents to achieve their aspirations and dreams. ACCAP is primarily supported through federal and state government grants. Approximately 48% of ACCAP's grant funding is received from the U.S. Department of Health and Human Services for the Head Start program.

Grasslands Housing, Inc. (Grasslands), an affiliated organization, was organized as a nonprofit corporation in 1980 to promote health care and welfare needs by providing elderly and handicapped persons with housing facilities and services specially designed to meet their needs. Grasslands is primarily supported through a HUD grant used to operate a low-income handicapped housing project located in Coon Rapids, Minnesota. ACCAP and Grasslands have common Board members and are managed by the same individuals.

ACCAP Thousand Oaks, LLC is a wholly owned subsidiary of ACCAP that was organized to purchase the limited partner interest in the ACCAP Thousand Oaks, LP. This purchase occurred in April 2012.

ACCAP Thousand Oaks, LP, is a limited partnership in which ACCAP has 100% ownership due to ACCAP holding a 1% general partner interest in the partnership and ACCAP's wholly owned subsidiary, ACCAP Thousand Oaks, LLC, owning a 99% limited partner interest. ACCAP-Thousand Oaks Limited Partnership (the "T.O. Partnership") is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. The Partnership owns and operates 12 multi-family rental town homes in Coon Rapids, Minnesota. The Partnership shall cease on December 31, 2036, unless dissolved sooner.

HTC Partnership, LLC is a wholly owned subsidiary of ACCAP that was organized to purchase the limited partner interest in the ACCAP Liberty Park, LP. This purchase occurred in 2013. In addition to holding the limited partner interest in ACCAP Liberty Park, LP, this entity also holds the limited partnership interest of ACCAP HUD Homes, LP, ACCAP Oak Manor LP, an ACCAP Woodfield, LP. The purchase of these 3 additional partnerships occurred in 2015.

ACCAP Liberty Park, LP, is a limited partnership in which ACCAP has 100% ownership due to ACCAP holding a 1% general partner interest in the partnership and ACCAP's wholly owned subsidiary, ACCAP Liberty Park, LLC, owning a 99% limited partner interest. ACCAP-Liberty Park Limited Partnership (the "L.P. Partnership") is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. The Partnership owns and operates 10 multi-family rental town homes in Coon Rapids, Minnesota. The Partnership shall cease on December 31, 2036, unless dissolved sooner.

ACCAP II, LLC is a wholly owned subsidiary of ACCAP that was organized to purchase the general partner interest in the ACCAP/Rise Partnership. This purchase occurred in 2015.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Nature of Operations (Continued)

ACCAP/Rise Partnership (“ACCAP/Rise”) is a general partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. ACCAP/Rise owns and operates rental property in Spring Lake Park, Minnesota.

ACCAP HUD Homes, LP, is a limited partnership in which ACCAP has 100% ownership due to ACCAP holding a 1% general partner interest in the partnership and ACCAP’s wholly owned subsidiary, HTC Partnership, LLC, owning a 99% limited partner interest. ACCAP-HUD Homes Limited Partnership (the “HUD Partnership”) is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. The Partnership owns and operates 13 multi-family rental town homes and 1 duplex in Anoka County, Minnesota. The Partnership shall cease on December 31, 2039, unless dissolved sooner.

ACCAP Oak Manor, LP, is a limited partnership in which ACCAP has 100% ownership due to ACCAP holding a 1% general partner interest in the partnership and ACCAP’s wholly owned subsidiary, HTC Partnership, LLC, owning a 99% limited partner interest. ACCAP Oak Manor Limited Partnership (the “OM Partnership”) is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. The Partnership owns and operates 28 multi-family rental town homes and 4 SRO units in Coon Rapids, Minnesota. The Partnership shall cease on December 31, 2035, unless dissolved sooner.

ACCAP Woodfield, LP, is a limited partnership in which ACCAP has 100% ownership due to ACCAP holding a 1% general partner interest in the partnership and ACCAP’s wholly owned subsidiary, HTC Partnership, LLC, owning a 99% limited partner interest. ACCAP Woodfield Limited Partnership (the “WF Partnership”) is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. The Partnership owns and operates 26 apartment units and 4 SRO units in Blaine, Minnesota. The Partnership shall cease on December 31, 2039, unless dissolved sooner.

ACCAP Ramsey Townhomes, is a limited partnership in which ACCAP has 100% ownership due to ACCAP holding a 1% general partner interest in the partnership and ACCAP’s wholly owned subsidiary, HTC Partnership, LLC, owning a 99% limited partner interest. ACCAP Ramsey Townhomes (the “Ramsey Partnership”) is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, holding for investment, and ultimately selling income-producing real estate. The Partnership owns and operates 26 apartment units and 4 SRO units in Blaine, Minnesota. The Partnership shall cease on December 31, 2040, unless dissolved sooner. This partnership was acquired on August 31, 2018. Financial results are reported from that date forward.

#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the entities listed above. These entities will be collectively referred to as the “Organizations.” All significant intercompany transactions and balances have been eliminated in consolidation. In addition, a separate report has been prepared for Grasslands to comply with U.S. Department of Housing and Urban Development requirements.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Basis of Presentation**

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **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 Organizations 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 has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Contributions received are recorded as with or without donor restriction, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restriction are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized.

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

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

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition (Continued)**

##### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Topic 605. Revenue is recognized in the accounting period when the related allowable 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 reimburse based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 606. The revenue is recognized when control of the promised goods or services is transferred to the customer or grantor in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no material exchange transactions during the year ended December 31, 2018.

Rental revenue is recognized when earned.

#### **Accounts Receivable**

Accounts receivable consist primarily of advances made to other nonprofits. ACCAP evaluates the creditworthiness of the nonprofit and establishes an allowance if necessary. At December 31, 2018, there were no allowances as all receivables were deemed to be collectible.

#### **Investments**

Investments are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized in investment income (loss) in the consolidated statement of activities. Investment fees are netted against investment income.

#### **Forgivable Housing Loans Receivable**

Forgivable housing loans receivable are recorded at the amount of unpaid principal with repayment terms of between 5 to 40 years. The loans are non-interest-bearing. Management has filed liens on the associated properties. Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off. In 2009, ACCAP ceased actively providing new forgivable housing loans under this program.

#### **Allowance for Loan Losses**

ACCAP does not maintain an allowance for loan loss accounts related to the forgivable housing loans receivable as management believes all loans are collectible and due to the fact that in the event of default by a homeowner ACCAP could start foreclosure proceedings and take back possession of the home.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Financing Fees**

Financing fees represent costs associated with obtaining debt to finance the purchase of the housing project. Unamortized financing fees have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method. The total cost of financing fees is \$207,141, accumulated amortization is \$64,508 and current year amortization is \$8,978.

#### **Property and Equipment**

Property and equipment are capitalized at cost and depreciated over their estimated useful life using either the straight-line or accelerated methods. The Organizations consider 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 ACCAP 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 buildings or equipment, as well as the ownership of any proceeds therefrom, are subject to funding source regulations. The net book value of buildings and equipment purchased with grant funds was \$641,877 at December 31, 2018.

#### **Capital Lease**

ACCAP is the lessee of land and buildings under a capital lease. The assets and liabilities under the capital leases 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 is included in depreciation expense.

#### **Fair Value Measurements**

ACCAP measures the fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring 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 significant unobservable inputs (Level 3 measurements). 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.

#### **Income Taxes**

ACCAP and Grasslands are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. They are also exempt from Minnesota franchise or income tax.

ACCAP Thousand Oaks, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes. The member owner of ACCAP Thousand Oaks, LLC is ACCAP. The activity of ACCAP Thousand Oaks, LLC is included in ACCAP's tax return. As a result of ACCAP Thousand Oaks, LLC being treated as a disregarded entity, the activity of ACCAP Thousand Oaks LP is also included in the tax return of ACCAP.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes (Continued)**

HTC Partnership, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes. The member owner of HTC Partnership, LLC. The activity of HTC Partnership, LLC is included in ACCAP's tax return. As a result of HTC Partnership, LLC being treated as a disregarded entity, the activity of ACCAP Liberty Park LP is also included in the tax return of ACCAP.

ACCAP HUD Homes, LLC is treated as a disregarded entity as it is owned by HTC Partnership LLC and ACCAP. The activity of ACCAP HUD Homes LP is included in the tax return of ACCAP.

ACCAP Woodfield, LLC, is treated as a disregarded entity as it is owned by HTC Partnership LLC and ACCAP. The activity of ACCAP Woodfield LP is included in the tax return of ACCAP.

ACCAP Oak Manor, LLC, is treated as a disregarded entity as it is owned by HTC Partnership LLC and ACCAP. The activity of ACCAP Oak Manor LP is included in the tax return of ACCAP.

ACCAP Ramsey Townhomes, , is treated as a disregarded entity as it is owned by HTC Partnership LLC and ACCAP. The activity of ACCAP Ramsey Townhomes is included in the tax return of ACCAP.

ACCAP II, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes. The member owner of ACCAP II, LLC is ACCAP. The activity of ACCAP/Rise Partnership, is included in ACCAP's tax return. As a result of ACCAP II, LLC being treated as a disregarded entity, the activity of ACCAP/Rise Partnership is also included in the tax return of ACCAP.

The Organizations are 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 a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

#### **In-Kind Contributions**

In-kind contributions for space and professional services are recorded in the consolidated statement of activities and recognized as revenue and expenses in the period they are received. During the year ended December 31, 2018, ACCAP received \$176,452 of such contributions for its Head Start program. In addition, ACCAP received contributions of nonprofessional volunteer services during the year with a fair value of approximately \$1,320,000 also for its Head Start program, which are not recognized in the consolidated 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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Change in Accounting Policy

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.

#### Recent Accounting Pronouncements

Effective January 1, 2018, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amendments in this update supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization's primary sources of revenue are government grants which are contributions and rental income, both of which are explicitly excluded from the scope of the new guidance. The CHORE program operated by the Organization is the primary program that has an exchange transaction component to it. Management determined that the timing of the Organization's recognition of exchange based fees for the CHORE program did not change under Topic 606. The adoption of this update did not have an impact on the Organization's consolidated financial statements.

#### Subsequent Events

Subsequent events have been evaluated through April 22, 2019 which is the date the consolidated financial statements were available to be issued.

### Note 2: Concentration of Credit Risk

ACCAP maintains cash balances and a certificate of deposit at one bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. To secure the amounts in excess of \$250,000 at ACCAP's main financial institution, the bank has obtained an irrevocable standby letter of credit in the name of ACCAP with the Federal Home Loan Bank of Des Moines. The irrevocable standby letter of credit is \$2,500,000.

ACCAP also has investments (see Note 5). The investments are subject to economic market conditions.

### Note 3: Grants Receivable

The balance consists of amounts due from various agencies as follows:

Federal awards	\$	443,798
State of Minnesota awards		339,730
Other programs		63,938
<u>Total</u>	\$	<u>847,466</u>



# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 4: Restricted Reserves

Several housing projects are required to make periodic deposits to various reserve funds established to meet future commitments. These funds are restricted and disbursements must be approved by the funding source. The reserves are as follows:

Tenant security deposit	\$ 103,650
Real estate taxes and insurance	34,665
Reserve for repairs and replacements	313,519
Operating	160,532
Residual receipt	83,621
Debt service	186,578
<u>Total restricted reserves</u>	<u>\$ 882,565</u>

### Note 5: Investments

Investments, at fair value, consist of the following at December 31, 2018:

Money market	\$ 104,649
Corporate bonds	616,094
<u>Exchange traded funds</u>	<u>2,418,416</u>
<u>Total</u>	<u>\$ 3,139,159</u>

Investment loss consists of the following for the year ended December 31, 2018:

Interest and dividends	\$ 111,220
Realized and unrealized loss on investments	( 251,861)
<u>Fees</u>	<u>( 17,543)</u>
<u>Total investment loss</u>	<u>(\$ 158,184)</u>

### Note 6: Property and Equipment

Property and equipment purchased consist of the following:

Land	\$ 3,171,006
Land improvements	217,052
Buildings and improvements	27,313,102
Capitalized lease - Houses	1,509,864
<u>Equipment</u>	<u>1,691,318</u>
Subtotal	33,902,342
<u>Accumulated depreciation and amortization</u>	<u>(10,925,642)</u>
<u>Property and equipment, net</u>	<u>\$22,976,700</u>

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7: Notes Payable

The notes payable balance consists of:

	Current	Long-Term	Total
Note payable to Minnesota Family Housing Fund for the Board and Lodge project at 1% interest with a lump sum payment due August 2026. Collateralized by real estate.	\$ 0	\$ 90,500	\$ 90,500
Northeast Bank loan for Blaine University project. Interest on The loan is 2.15% (adjusts every 5 years). Monthly payments are \$19,040 and the loan matures September 2042. Collateralized by real estate.	137,596	4,087,763	4,225,359
Note payable to Family Housing Fund of Minneapolis-St. Paul, Minnesota, for the Anoka West project at a 1% interest rate and due July 2024. Payments of principal and interest are not required until the maturity date. Collateralized by real estate.	0	180,000	180,000
Note payable to the MHFA for the Theatre Heights project at 1% interest. Monthly payments of \$526 through October 2021. Collateralized by real estate.	4,654	163,334	167,988
Note payable to Anoka County, Minnesota, for the Anoka West project, at a 0% interest rate and due July 2024. Collateralized by real estate.	0	100,000	100,000
Note payable (2nd mortgage) to Minnesota Housing Finance Agency (MHFA) at 1% interest and due on August 2027. The original amount of the loan was \$396,000. Payments of principal and interest are not required until the maturity date. Collateralized by real estate.	0	475,016	475,016
Note payable to Family Housing Fund of Minneapolis-St. Paul, Minnesota, at 1% interest and due August 2027. The original amount of the loan was \$90,000. Payments of principal and interest are not required until the maturity date. Collateralized by real estate.	0	90,000	90,000
Note payable (1st mortgage) to MHFA at 5% interest with monthly payments of \$2,866 for Thousand Oaks. The original amount of the loan was \$105,412 and matures May 2019. Collateralized by real estate.	8,541	0	8,541
Note payable to Anoka County, Minnesota, at a 1% interest rate compounded annually and due August 2027. The original amount of the loan was \$26,000. Payments of principal and interest are not required until the maturity date. Collateralized by real estate.	0	26,000	26,000

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7: Notes Payable (Continued)

	Current	Long-Term	Total
Note payable to Family Housing Fund of Minneapolis - St. Paul, Minnesota, (3rd mortgage) at 1% interest and due on July 2029 for HUD Homes. Payments of principal and interest are not required until the maturity date.	0	82,286	82,286
Affordable Rental Investment Fund Program note payable to Minnesota Housing Finance Agency (MHFA) (2nd mortgage) at a 1% interest rate and due on July 21, 2029 for HUD Homes. Payments of principal and interest are not required until the maturity date.	0	187,550	187,550
Transitional Housing Program note payable to MHFA (5th mortgage) at a 1% interest rate and due on July 7, 2029 for HUD Homes. Payments of principal and interest are not required until the maturity date.	0	200,000	200,000
Note payable to Anoka County, Minnesota, (4th mortgage) at a 1% interest rate and due on March 23, 2029 for HUD Homes. Payments of principal and interest are not required until the maturity date.	0	190,000	190,000
MHFA Trust Fund note payable to MHFA (5th mortgage) at a 1% interest rate and due May 2019 for Woodfield. Payments of principal and interest are not required until the maturity date.	148,000	0	148,000
Affordable Rental Investment Fund Program note payable to MHFA (2nd mortgage) at a 1% interest rate and due September 2028 for Woodfield. Payments of principal and interest are not required until the maturity date.	0	150,000	150,000
Note payable to Anoka County, Minnesota, (6th mortgage) at a 1% interest rate compounded annually and due September 2028 for Woodfield. Payment of principal and interest are not required until the maturity date.	0	227,000	227,000
Note payable (2 <sup>nd</sup> mortgage) to Anoka County at a 1% interest rate compounded annually and due on July 23, 2028. Payments of principal and interest are not required until the maturity date. Collateralized by real estate.	0	306,913	306,913

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 7: Notes Payable (Continued)

	Current	Long-Term	Total
Note payable to Family Housing Fund of Minneapolis-St. Paul, Minnesota, at 1% interest and due in 2025. The original amount of the loan was \$20,000. Payments are not required until the maturity date. Collateralized by real estate.	0	20,000	20,000
Note payable to Anoka County at a 0% due in 2025 for Liberty Park. Payments of principal and interest are not required until the maturity date. Collateralized by real estate.	0	104,264	104,264
Mortgage payable to U.S. Bank National Association with an original loan of \$1,850,000 (1 <sup>st</sup> mortgage) at a 7.73% interest rate, due on July 1, 2019. Monthly payments of principal and interest are \$13,369. ACCAP has a commitment to refinance this debt at 3.75% interest for 15 years with monthly payments of \$10,960. Financing to close in May 2019.	80,558	1,315,111	1,395,669
Affordable Rental Investment Fund Program mortgage payable to Minnesota Housing Finance Agency with and original loan amount of \$310,000 (MHFA) (2 <sup>nd</sup> mortgage) at a 1% interest rate and due on May 1, 2032.	0	310,000	310,000
Mortgage payable to Anoka County, Minnesota, with an original loan amount of \$242,441 (3 <sup>rd</sup> mortgage) with a 0% interest rate and due on July 3, 2032. Payments of principal and interest are not required until the maturity date. The terms of this mortgage require that four units be rented to low- and moderate-income families for the period of the loan. If the units are not rented to eligible individuals, the loan is in default and is payable in full.	0	242,441	242,441
Subtotal	379,349	8,548,178	8,927,527
Unamortized debt issuance cost, net of accumulated amortization			( 58,603)
<b>Total</b>			<b>\$ 8,868,924</b>

Future principal payments, under refinanced terms, at December 31, 2018 are as follows:

2019	\$ 379,349
2020	228,710
2021	389,174
2022	237,015
2023	243,688
Thereafter	7,449,591
<b>Total</b>	<b>\$8,927,527</b>

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 8: Mortgage Payable

Grassland's property is subject to a first mortgage payable to Prudential Huntoon Paige Associates, Ltd. The interest rate at December 31, 2018 is 4.76%. Monthly principal and interest payments are \$6,187 with the final payment due in August 2042. The mortgage note is secured by the apartment project. The mortgage balance at December 31, 2018, consists of current maturities of \$24,470 and \$1,028,541 in long-term maturities for a total mortgage balance of \$1,053,011. Future long-term debt maturities are as follows:

2019	\$ 24,470
2020	25,661
2021	26,910
2022	28,219
2023	29,592
Thereafter	918,159
<b>Total</b>	<b>\$ 1,053,011</b>

Unamortized debt issuance costs, net of accumulated amortization of \$18,594	( 38,409)
Current portion	( 24,470)

<b>Long-term portion</b>	<b>\$ 990,132</b>
--------------------------	-------------------

### Note 9: Forgivable Loans Payable

ACCAP has several non-interest-bearing loans that were used for the purchase and renovation of properties used in ACCAP's transitional housing programs. For the year ended December 31, 2018, loans totaling \$34,194 were forgiven and recorded as revenue in the consolidated statement of activities. Provided that ACCAP continues to comply with the terms of the loan agreements, the loans will be forgiven and recorded as revenue over the specified term as detailed below:

	Final Date of Forgiveness	Current	Long-Term	Total	Related Property
MHFA Loan	Aug. 2025	\$ 0	\$ 335,000	\$ 335,000	Skyline
MHFA Loan	Feb. 2033	7,297	102,165	109,462	Towerview North
MHFA Loan	Feb. 2033	2,432	34,056	36,488	Towerview North
MHFA Loan	May 2021	18,795	37,587	56,382	Towerview South
MHFA Loan	Aug. 2026	2,500	15,000	17,500	Theatre Heights
MHFA Loan	Oct. 2021	3,170	6,340	9,510	Wyldwood
<b>Totals</b>		<b>\$ 34,194</b>	<b>\$ 530,148</b>	<b>\$564,342</b>	

Future forgivable loan maturities at December 31, 2018 are as follows:

2019	34,194
2020	34,194
2021	34,194
2022	12,229
2023	12,229
Thereafter	437,302
<b>Total</b>	<b>\$ 564,342</b>

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 10: Capital Lease for Housing

ACCAP leases single family homes from Anoka County under a lease which qualifies as a capital lease for accounting purposes. Anoka County has financed the transaction with bond financing and the lease payments are set equal to the required principal and interest payments. The lease is a capital lease with Anoka County transferring ownership of the land and facilities to ACCAP upon termination of the lease. ACCAP is obligated to make semiannual sublease payments to Anoka County under an 18-year sublease agreement for the rental properties, which ends June 2028. The cost of the homes under the capital lease at December 31, 2018, was \$1,509,864 and accumulated depreciation was \$559,522.

Minimum future lease payments under the capital lease as of December 31, 2018, and for each of the next five years and in the aggregate are:

2019	162,836
2020	163,253
2021	163,312
2022	163,000
2023	162,096
Thereafter	808,126
Total minimum lease payments	1,622,623
Unamortized debt issuance costs, net of accumulated amortization	( 45,620)
Amount representing interest	( 367,623)
<u>Present value of net minimum lease payment</u>	<u>\$ 1,209,380</u>
Current portion	\$ 100,000
Unamortized debt issuance costs, net of accumulated	( 45,620)
<u>Long-term portion</u>	<u>1,155,000</u>
<u>Total</u>	<u>\$ 1,209,380</u>

### Note 11: Net Assets With Donor Restrictions

Net assets with donor restrictions of \$70,748 relate to contributions received with a purpose restriction for the head start and energy programs.

### Note 12: Retirement Plan

All employees of ACCAP are eligible to participate in a voluntary self-directed retirement plan authorized under Section 403(b) of the Internal Revenue Code. For regular status employees, ACCAP contributes \$1 for every dollar each employee contributes. The maximum agency contribution was increased in 2018 to the lesser of \$3,500 or 10% of the annual gross wages of the employee. The employees are vested upon contribution to the plan. Total ACCAP contributions during the year ended December 31, 2018, were \$212,620.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 13: Operating Lease Agreements

ACCAP leases facilities and equipment for operation of its programs under operating leases expiring in 2018. Rent expense for the year ended December 31, 2018, was \$180,290. The future minimum lease payments on those leases are as follows:

2019	78,610
------	--------

---

ACCAP subleases space to two other organizations under operating leases expiring in 2018. Payments received under these subleases for the year ended December 31, 2018, was \$232,237. Future payments to be received under subleases are as follows:

2019	232,238
------	---------

---

### Note 14: Lessor Activity

Rental income of \$3,126,513 is included in the consolidated statement of activities. Leases are all for one year or less. The Organizations rental projects are a mix of Transitional Housing projects and low-to-moderate income units. A summary of the acquisition costs and accumulated depreciation on the above properties at December 31, 2018, is as follows:

Land	\$ 3,171,006
Land improvements	217,052
Buildings and improvements	23,546,029
Capitalized lease - Houses	1,509,864
Equipment	387,226
Subtotal	28,831,177
Accumulated depreciation	( 10,014,572)
Net	\$ 18,816,605

---

### Note 15: Grant Awards

At December 31, 2018, ACCAP had received future funding commitments under various grants of approximately \$4,400,000. These commitments are not recognized in the accompanying consolidated financial statements as receivables and revenue as they are conditional awards.

### Note 16: Program Operations

ACCAP has a grant with the State of Minnesota, Department of Commerce for outreach, intake, eligibility, and certification of LIHEAP-eligible participants. Client benefits for LIHEAP-eligible participants are subsequently paid directly by the State of Minnesota. Client benefits in the amount of \$2,315,840 paid by the state are not included in the consolidated statement of activities as they were not part of the grant award.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 16: Program Operations (Continued)

ACCAP has a grant with the State of Minnesota for Child Care Assistance eligible participants. Client benefits for Child Care Assistance are subsequently paid directly by the State of Minnesota. Client benefits in the amount of \$14,979,878 paid by the state are not included in the consolidated statement of activities as they were not part of the grant award.

### Note 17: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value:

- Money market funds are valued at historical cost, which approximates fair value.
- Corporate bonds are valued at quoted market prices based on recent trading activity and other observable market data.
- Exchange traded funds are valued at quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while ACCAP 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. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2018. Information regarding assets measured at fair value on a recurring basis was as follows at December 31, 2018:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market	\$ 0	\$ 104,649	\$ 0	\$ 104,649
Corporate bonds	0	616,094	0	616,094
Exchange traded funds:				
Fixed income	620,066	0	0	620,066
Equity	1,798,350	0	0	1,798,350
<b>Total assets</b>	<b>\$ 2,418,416</b>	<b>\$ 720,743</b>	<b>\$ 0</b>	<b>\$ 3,139,159</b>

### Note 18: 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 as of December 31, 2018:

Cash and cash equivalents	\$ 1,077,183
Investments	3,139,159
Subtotal financial assets	4,216,342
Less: Net assets with donor restrictions	( 70,748)
Less: Grant funds received in advance	( 80,094)
Less: Board designated funds	( 90,404)
<b>Total</b>	<b>\$ 3,975,096</b>



# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### Note 18: Liquidity and Availability (Continued)

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately two to three months of operating expenses. The Organization invests in a broadly diversified portfolio, which can include equities, debt instruments, both private and public, and money market funds, which can be liquidated if needed. This is done with excess non-restricted funds to maximize return of investment without undue risk. The Organization has grant commitments for future expenses of approximately \$4,400,000.

### Note 19: Analysis of Expenses by Nature and Function

Expenses presented by nature and function for the year ended December 31, 2018, are as follows:

	Program Expenses	Management and General	Development and Fundraising	Total
Personnel	\$ 7,203,415	\$766,763	\$54,162	\$ 8,024,340
Beneficiary assistance	6,588,330	0	0	6,588,330
Board designated expense	188,475	0	0	188,475
Insurance	112,152	19,415	0	131,567
Occupancy	204,815	28,134	0	232,949
Depreciation	887,757	0	0	887,757
Interest	237,061	0	0	237,061
Property tax	235,901	0	0	235,901
Repair and maintenance	854,741	0	0	854,741
In-kind	176,452	0	0	176,452
<b>Total</b>	<b>\$16,689,099</b>	<b>\$814,312</b>	<b>\$54,162</b>	<b>\$17,557,573</b>

### Note 20: Acquisition of Business

In August 2018, HTC Partnership, LLC acquired a 99.99% limited partner interest in ACCAP-Ramsey Townhomes, LP. ACCAP previously owned a .01% general partner interest in this partnership. Therefore, as of December 31, 2018, ACCAP owns 100% of the ACCAP-Ramsey Townhomes, LP either directly or indirectly. The purchase price paid was \$7,330. The Partnership was acquired to allow ACCAP to provide additional low-income housing to eligible tenants. The acquisition of the Partnership is consistent with the mission of ACCAP.

ACCAP recognized this transaction as an acquisition of a business and recorded substantially all assets and liabilities of the existing business in August 2018, resulting in a contribution received on acquisition of \$2,108,334 which is recorded on the consolidated statement of activities as other revenue. Operations of the Partnership from August 2018, through December 31, 2018, are presented on the consolidated statements of activities.

# Anoka County Community Action Program, Inc. and Affiliates

## Notes to Consolidated Financial Statements

---

### Note 20: Acquisition of Business (Continued)

The fair values of the assets and liabilities at the acquisition date are as follows:

Cash	\$ 25,876
Restricted cash	263,402
Property and equipment	4,021,300
Security deposits	( 27,814)
Other liabilities	( 63,634)
Notes payable	( 1,968,661)
Total	2,250,469
Less: Cash paid	( 7,331)
Less: previously recorded assets	( 134,804)
<u>Net contribution received in transaction</u>	<u>\$ 2,108,334</u>

# **Supplementary Information**

---

# Anoka County Community Action Program, Inc.

## Schedule A

### Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed-Through the State of Minnesota, Department of Education and Learning</b>			
Child and Adult Care Food Program	N/A	10.558	<u>\$ 296,968</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed-Through MN Homeownership Center</b>			
HUD Comprehensive Housing	FY2018-02	14.169	<u>20,800</u>
<b>Passed-Through Anoka County</b>			
<b>CDBG Entitlement Grants Cluster</b>			
Community Development Block Grants	C0005715 C0005721, C0006374	14.218	<u>145,458</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed-Through Metropolitan Area Agency on Aging</b>			
<b>Aging Cluster</b>			
Special Programs for Aging - Title III, Part B	311-18-003B-229	93.044	<u>47,841</u>
<b>Passed-Through the State of Minnesota, Department of Commerce</b>			
Low-Income Home Energy Assistance	1563, A2105	93.568	<u>2,913,353</u>
<b>Passed-Through the State of Minnesota, Department of Human Services</b>			
Community Services Block Grant	GRK%127502	93.569	<u>262,246</u>
<b>Passed-Through the State of Minnesota, Department of Human Services</b>			
<b>CCDF Cluster</b>			
Child Care and Development Block Grant	GRK% 131114, GRK% 131118	93.575	<u>443,302</u>
<b>Direct Grant</b>			
Head Start	05HP0015/03, 05HP0015/04 05CH01025003, 05CH01025004	93.600	<u>6,207,190</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><u>\$ 10,337,158</u></u>

#### Notes to the Schedule of Expenditures of Federal Awards

##### NOTE 1 - Basis of Presentation

The schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Anoka County Community Action Program, Inc. under programs of the federal government for the year ended December 31, 2018. 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 operations of Anoka County Community Action Program, Inc. it is not intended to and does not present the financial position, changes in net assets or cash flows of Anoka County Community Action Program, 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 the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Anoka County Community Action Program, Inc. has not elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

##### NOTE 3 - State of Minnesota eHeat Payments

Included in CFDA #93.568 are client benefits paid by the State of Minnesota of \$2,315,840. These expenditures are not included in the consolidated statement of activities.

##### NOTE 4 - Subrecipients

Anoka County Community Action Program, Inc. did not subcontract any federal funds to subrecipients for the year ended December 31, 2018.

# Anoka County Community Action Program, Inc.

Schedule B  
Schedule of Program Activity  
Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program or Award Amount	Unapplied Grant Award 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Funds Repaid/Deobligated	Transfers	Unapplied Grant Award 12/31/18
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b>											
<b>U.S. Department of Agriculture</b>											
10.558	N/A	Child and Adult Care Food Program	MN Dept. of Education	N/A	\$ 0	\$ 60,421	\$ 0	(\$ 60,421)	\$ 0	\$ 0	\$ 0
10.558	N/A	Child and Adult Care Food Program	MN Dept. of Education	N/A	0	236,547	0	( 236,547)	0	0	0
<b>Subtotal 10.558</b>					<b>0</b>	<b>296,968</b>	<b>0</b>	<b>( 296,968)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>U.S. Department of Housing and Urban Development</b>											
14.169	FY2018-02	HUD	MN Homeownership Center	\$20,800	0	20,800	0	( 20,800)	0	0	0
14.218	C0006374	CDBG	Anoka County	127,120	0	64,648	0	( 64,648)	0	0	0
14.218	C0005721	CDBG	Anoka County	200,000	0	69,859	0	( 69,859)	0	0	0
14.218	C0005715	CDBG Senior Chores	Anoka County	\$28,500	0	10,951	0	( 10,951)	0	0	0
<b>Subtotal 14.218</b>					<b>0</b>	<b>145,458</b>	<b>0</b>	<b>( 145,458)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>U.S. Department of Health and Human Services</b>											
93.044	311-18-003B-229	Special Programs for Aging-Title III, Part B	Metropolitan Area Agency on Aging	50,550	0	47,841	0	( 47,841)	0	0	0
93.568	1563	Low-Income Home Energy Assistance	MN Dept. of Commerce	614,361	0	465,538	0	( 465,538)	0	0	0
93.568	1563	Low-Income Home Energy Assistance	MN Dept. of Commerce	557,918	0	131,975	0	( 131,975)	0	0	0
93.568	N/A	EAP eHeat Payments	MN Dept. of Commerce	N/A	0	2,315,840	0	( 2,315,840)	0	0	0
<b>Subtotal 93.568</b>					<b>0</b>	<b>2,913,353</b>	<b>0</b>	<b>( 2,913,353)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.569	GRK%127502	Community Services Block Grant	MN Dept. of Human Services	336,593	0	192,910	0	( 192,910)	0	0	0
93.569	GRK%127502	Community Services Block Grant	MN Dept. of Human Services	336,593	0	69,336	0	( 69,336)	0	0	0
<b>Subtotal 93.569</b>					<b>0</b>	<b>262,246</b>	<b>0</b>	<b>( 262,246)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.575	GRK%131114	CCAMMN Anoka	MN Dept. of Human Services	207,189	0	119,389	0	( 119,389)	0	0	0
93.575	GRK%131114	CCAMMN Anoka	MN Dept. of Human Services	207,189	0	137,677	0	( 137,677)	0	0	0
93.575	GRK%131118	CCAMMn Washington	MN Dept. of Human Services	166,365	0	81,045	0	( 81,045)	0	0	0
93.575	GRK%131118	CCAMMn Washington	MN Dept. of Human Services	166,365	0	105,191	0	( 105,191)	0	0	0
<b>Subtotal 93.575</b>					<b>0</b>	<b>443,302</b>	<b>0</b>	<b>( 443,302)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.600	05HP0015/04	Early Head Start Child Care Partnership	U.S. Dept. of HHS	1,619,869	0	607,930	0	( 607,930)	0	0	0
93.600	05HP0015/03	Early Head Start Child Care Partnership	U.S. Dept. of HHS	1,632,387	0	1,022,221	0	( 1,022,221)	0	0	0
93.600	05CH01025004	Head Start	U.S. Dept. of HHS	2,372,364	0	760,255	0	( 760,255)	0	0	0
93.600	05CH01025003	Head Start	U.S. Dept. of HHS	4,872,535	0	3,816,784	0	( 3,816,784)	0	0	0
<b>Subtotal 93.600</b>					<b>0</b>	<b>6,207,190</b>	<b>0</b>	<b>( 6,207,190)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Federal Programs</b>					<b>\$ 0</b>	<b>\$ 10,337,158</b>	<b>\$ 0</b>	<b>(\$ 10,337,158)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>OTHER STATE AND LOCAL PROGRAMS</b>											
N/A	GRK%127502	MCAG	MN Dept. of Human Services	207,132	0	126,649	0	( 126,649)	0	0	0
N/A	GRK%127502	MCAG	MN Dept. of Human Services	207,132	0	36,638	0	( 36,638)	0	0	0
93.575	C0006003	Child Care Assistance	MN Dept. of Human Services	847,002	0	847,002	0	( 847,002)	0	0	0
N/A	C0005998	Anoka County Senior Outreach	Anoka County	226,132	0	226,132	0	( 226,132)	0	0	0
N/A	N/A	Chore Service Payments	Donations	N/A	0	0	91,434	( 91,434)	0	0	0
N/A	N/A	Emergency Services	Donations	N/A	3,021	0	0	0	( 3,021)	0	0
N/A	N/A	United Way Head Start	United Way	180,000	1,747	120,000	13,442	( 135,189)	0	0	0
N/A	N/A	Connexus	Connexus	100,000	0	100,000	0	( 100,000)	0	0	0
N/A	N/A	ELS Pathways I	MN Dept. of Education	2,526,204	0	1,505,735	0	( 1,486,209)	0	0	19,526

# Anoka County Community Action Program, Inc.

Schedule B  
 Schedule of Program Activity  
 Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program or Award Amount	Unapplied Grant Award 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Funds Repaid/Deobligated	Transfers	Unapplied Grant Award 12/31/18
N/A	N/A	ELS Pathways I	MN Dept. of Education	2,526,204	0	300,820	0	( 300,820)	0	0	0
N/A	N/A	ELS Pathways II	MN Dept. of Education	400,167	0	121,272	0	( 65,953)	0	0	55,319
N/A	N/A	ELS Pathways II	MN Dept. of Education	400,167	0	265,255	0	( 265,255)	0	0	0
N/A	4530	State of MN Head Start	MN Dept. of Education	1,089,623	0	625,499	0	( 625,499)	0	0	0
NA	N/A	CCAMM Emergency Preparedness	Child Care Aware MN	0	0	0	5,000	( 5,000)	0	0	0
N/A	N/A	Crisis Administration	Donations	0	0	0	0	0	0	0	0
N/A	N/A	Homeownership	Local	0	1,720	0	2,002	( 3,530)	0	0	192
N/A	N/A	Achieve Tech	Achieve Services, Inc.	N/A	0	35,004	0	( 35,004)	0	0	0
N/A	N/A	EDERCP	Wells Fargo	0	0	0	0	0	0	0	0
N/A	N/A	Hecat	Local	45,000	0	18,752	0	( 18,751)	0	0	1
N/A	N/A	Hecat	Local	45,000	0	23,930	0	( 23,930)	0	0	0
N/A	N/A	FAIM	Local	0	0	5,000	0	( 5,000)	0	0	0
N/A	N/A	Project Reinvest: Financial Capability	MN Home Ownership Ctr	12,398	2,861	3,547	0	( 5,724)	0	0	684
N/A	C0006003	Child Care Assistance	MN Dept. of Human Services	N/A	0	14,979,841	0	( 14,979,841)	0	0	0
N/A	N/A	Head Start Parent Fund	Local	N/A	64,240	0	2,302	3,329	0	0	69,871
N/A	N/A	Senior Companion Program	Local	N/A	0	0	4,200	( 66,200)	0	62,000	0
N/A	N/A	Fatherhood Partnership	Anoka County	18,871	0	9,435	0	( 4,186)	0	0	5,249
N/A	N/A	Fatherhood Partnership	Anoka County	48,422	0	23,971	0	( 23,971)	0	0	0
N/A	N/A	Housing Unallocated	Donations	0	0	0	0	0	0	0	0
N/A	2012-0403	PCs for People	Local	N/A	2,890	2,050	0	( 4,940)	0	0	0
<b>Total Other State and Local Programs</b>					<b>81,213</b>	<b>19,894,332</b>	<b>118,568</b>	<b>( 19,997,525)</b>	<b>0</b>	<b>54,254</b>	<b>150,842</b>
<b>TOTALS</b>					<b>\$ 81,213</b>	<b>\$ 30,231,490</b>	<b>\$ 118,568</b>	<b>(\$ 30,334,683)</b>	<b>\$ 0</b>	<b>\$ 54,254</b>	<b>\$ 150,842</b>

**Reconciliation of Expenses With Consolidated Statement of Activities:**

Expenses this schedule	\$ 30,334,683
In kind on consolidated statement of activities	176,452
eHeat payments made by the State of Minnesota	( 2,315,840)
CCA payments made by the State of Minnesota	( 14,979,841)
Building activities (includes management and general allocation)	3,230,660
Corporate activities (includes management and general allocation)	819,015
Rental expenses (Grasslands) (includes management and general allocation)	292,444
<b>EXPENSES - CONSOLIDATED STATEMENT OF ACTIVITIES</b>	<b>\$ 17,557,573</b>

# Anoka County Community Action Program, Inc.

## Schedule C

### Schedule of Financial Information for Theatre Heights Property

December 31, 2018

---

#### *Assets, Liabilities, and Net Assets*

---

Assets:

Cash	\$	93,549
Escrows		6,565
Operating reserves		18,238
Property and equipment, net		237,459
<b>Total assets</b>		<b>355,811</b>

---

Liabilities and net assets:

Accounts Payable		1,847
Security deposits		8,221
Due to ACCAP		87,925
Notes payable		185,488
<b>Total liabilities</b>		<b>283,481</b>

---

Net assets 72,330

---

**Total liabilities and net assets** \$ **355,811**

---

---

---

#### *Income and Expense for the Year Ended December 31, 2018*

---

Revenue:

Rental revenue	\$	104,025
Other income		8,217
Interest income		415
<b>Total revenue</b>		<b>112,657</b>

---

Expenses:

Administration		9,697
Maintenance		32,605
Utilities		20,125
Insurance		839
Real estate taxes		18,263
Depreciation		23,252
Interest		87
<b>Total expenses</b>		<b>104,868</b>

---

**Change in net assets** \$ **7,789**

---

---

The above information is included in the consolidated financial statements. This schedule is provided to satisfy an MHFA requirement.

# Anoka County Community Action Program, Inc.

## Schedule D

### Schedule of Financial Information for ACCAP Thousand Oaks Property

December 31, 2018

---

#### *Assets, Liabilities, and Net Assets*

---

Assets:

Cash	\$	100,183
Restricted reserves		96,504
Property and equipment, net		491,187
<b>Total assets</b>		<b>687,874</b>

---

Liabilities and net assets:

Accounts payable		39,205
Accrued interest payable		475,016
Notes payable		138,319
<b>Total liabilities</b>		<b>652,540</b>

---

Unrestricted net assets 35,334

---

**Total liabilities and net assets** \$ 687,874

---

---

#### *Income and Expense for the Year Ended December 31, 2018*

---

Revenue:

Rental revenue	\$	145,933
Other income		440
Interest income		1,413
<b>Total revenue</b>		<b>147,786</b>

---

Expenses:

Administration		25,788
Maintenance		105,085
Utilities		57,744
Insurance		450
Depreciation		4,847
Interest		4,389
<b>Total expenses</b>		<b>198,303</b>

---

**Change in net assets** (\$ 50,517)

---

---

The above information is included in the consolidated financial statements. This schedule is provided to satisfy an MHFA requirement.





## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Anoka County Community Action Program, Inc.  
Blaine, 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 consolidated financial statements of Anoka County Community Action Program, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2019. The financial statements of ACCAP Thousand Oaks, LLC, ACCAP Thousand Oaks, LP, HTC Partnership LLC, ACCAP Liberty Park LP, ACCAP HUD Homes, LP, ACCAP Oak Manor, LP, ACCAP Woodfield, LP, ACCAP II LLC and ACCAP/Rise Partnership were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Anoka County Community Action Program, 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 the Anoka County Community Action Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Anoka County Community Action Program, 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 Anoka County Community Action Program, 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 of our 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 Anoka County Community Action Program, 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 Anoka County Community Action Program, Inc.'s internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

April 22, 2019  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance For Each Major Federal Program and Internal Control Over Compliance**

Board of Directors  
Anoka County Community Action Program, Inc.  
Blaine, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Anoka County Community Action Program, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2018. Anoka County Community Action Program, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Anoka County Community Action Program, Inc.'s consolidated financial statements include Grasslands Housing, Inc., a related entity, that has greater than \$750,000 of federal awards in the year ended December 31, 2018, and has had a separate single audit, and therefore, the federal expenditures of that entity are not included in this audit.

### **Management's Responsibility**

Management of Anoka County Community Action Program, Inc. is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Anoka County Community Action Program, Inc.'s major federal program 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 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 Anoka County Community Action Program, 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 the major federal program. However, our audit does not provide a legal determination on Anoka County Community Action Program, Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, Anoka County Community Action Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

## Report on Internal Control over Compliance

Management of Anoka County Community Action Program, Inc. is responsible for establishing and maintaining effective internal control over compliance (“internal control”) with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Anoka County Community Action Program, Inc.’s internal control with types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of Anoka County Community Action Program, Inc.’s internal control.

A deficiency in internal control 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 is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control, 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. 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.

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.

*Wipfli LLP*

Wipfli LLP

April 22, 2019  
Madison, Wisconsin

# Anoka County Community Action Program, Inc. and Affiliates

## Schedule of Findings and Questioned Costs

---

### 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 deficiencies identified?	No
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies 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
---	----

Identification of major federal program:

<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
---	-----------------

Head Start	93.600
------------	--------

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

Auditee qualified as low-risk auditee?	Yes
--	-----

<b>Section II. Findings – Financial Statements Audit</b>	None
--	------

<b>Section III. Findings and Questioned Costs – Major Federal Award Programs Audit</b>	None
--	------

<b>Section IV. Findings and Questioned Costs - Prior Year</b>	None
---	------