

Scott-Carver-Dakota CAP Agency, Inc.

Shakopee, Minnesota

Financial Statements and Supplementary Information
Year Ended September 30, 2016

Scott-Carver-Dakota CAP Agency, Inc.

Financial Statements and Supplementary Information
Year Ended September 30, 2016

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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 statement of financial position as of September 30, 2016, and the related statements of activities, and cash flows for the year 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 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 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 statement. 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 March 30, 2017, 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 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 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

March 30, 2017
Minneapolis, Minnesota

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Financial Position

September 30, 2016

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 418,925
Grants receivable	1,317,236
Accounts receivable	73,433
Prepaid expenses	48,089
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Total current assets	1,857,683
<hr/>	
Property and equipment, net	3,753,117
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TOTAL ASSETS	\$ 5,610,800
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<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of deferred loans	\$ 219,040
Current portion of notes payable	54,468
Current portion of capitalized lease obligation	163,816
Accounts payable	211,805
Accrued payroll and related expenses	281,423
Grant funds received in advance	58,490
Funds held for others	333,564
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Total current liabilities	1,322,606
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Long-term liabilities:	
Deferred loans, less current portion	616,886
Notes payable, less current portion	784,979
Capitalized lease obligation, less current portion	396,242
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Total long-term liabilities	1,798,107
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Total liabilities	3,120,713
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Net assets:	
Unrestricted	2,229,672
Temporarily restricted	260,415
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Total net assets	2,490,087
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TOTAL LIABILITIES AND NET ASSETS	\$ 5,610,800
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See accompanying notes to financial statements.

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Activities

Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 10,369,216	\$ -	\$ 10,369,216
Program income	1,030,743	-	1,030,743
Donations	406,226	75,580	481,806
Deferred loan forgiveness	48,770	-	48,770
In-kind contributions	122,165	-	122,165
Net assets released from restriction	18,868	(18,868)	-
Total revenue	11,995,988	56,712	12,052,700
Expenses:			
Salaries and wages	4,812,309	-	4,812,309
Fringe benefits	1,105,824	-	1,105,824
Travel and transportation	126,836	-	126,836
Telephone and postage	144,218	-	144,218
Supplies	157,854	-	157,854
Small equipment and maintenance	154,468	-	154,468
Space costs	294,583	-	294,583
Depreciation	164,948	-	164,948
Direct client services	4,224,647	-	4,224,647
Professional services	417,579	-	417,579
Other costs	40,821	-	40,821
In-kind expenses	122,165	-	122,165
Total expenses	11,766,252	-	11,766,252
Change in net assets	229,736	56,712	286,448
Net assets - Beginning of year	1,999,936	203,703	2,203,639
Net assets - End of year	\$ 2,229,672	\$ 260,415	\$ 2,490,087

See accompanying notes to financial statements.

Scott-Carver-Dakota CAP Agency, Inc.

Statement of Cash Flows Year Ended September 30, 2016

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets \$ 286,448

Adjustments to reconcile change in net assets
to net cash used in operating activities:

Depreciation 164,948

Bad debt expense 9,519

Forgiveness of deferred loans (48,770)

Changes in operating assets and liabilities:

Grants receivable (421,179)

Accounts receivable (49,138)

Prepaid expenses (36,998)

Accounts payable (43,527)

Accrued payroll and related expenses (56,154)

Grant funds received in advance (36,997)

Funds held for others (67,391)

Net cash used in operating activities (299,239)

Cash flows from financing activities:

Principal payment of notes payable (51,858)

Principal payment of capital lease (156,714)

Net cash used in financing activities (208,572)

Decrease in cash and cash equivalents (507,811)

Cash and cash equivalents at beginning of year 926,736

Cash and cash equivalents at end of year \$ 418,925

Schedule of other cash activity:

Interest paid \$ 51,006

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. Approximately 69% of the Organization’s grant funding is various federal grants passed through the State of Minnesota and 11% is funded directly by the State of Minnesota. Approximately 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 \$2,974,628 of federal energy assistance client benefits paid directly by the State of Minnesota to utility companies on behalf of clients.

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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization does not currently have any permanently restricted net assets.

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

For purposes of financial statement presentation, the Organization includes money market funds as 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 but \$9,519 was written off as bad debt expense for the year ended September 30, 2016.

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, 2016, is \$12,852.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions 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 temporarily restricted revenue due to the implied stipulation that the contributions be used in the program the beneficiary received assistance. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as 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 either recorded 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.

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.

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 year ended September 30, 2016, the Organization received \$122,165 of such contributions for its various programs. Accounting standards are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions of nonprofessional volunteer services and goods during the year of \$1,597,025 for its various programs, which are not recognized in these financial statements.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

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

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

Subsequent Events

Subsequent events have been evaluated through March 30, 2017, which is the date the financial statements were available to be issued.

Note 2 **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 3 **Grants Receivable**

The balance consisted of amounts due from various agencies as follows at September 30, 2016:

Direct federal agencies	\$ 807,010
State of Minnesota	197,343
Other	<u>312,883</u>
Total	<u><u>\$ 1,317,236</u></u>

Note 4 **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, 2016, was \$333,564.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 5 Property and Equipment

Property and equipment consisted of the following at September 30, 2016:

Land and land improvements	\$ 538,696
Equipment	387,772
Building under capital lease	2,250,000
<u>Buildings</u>	<u>3,008,397</u>
Total	6,184,865
<u>Accumulated depreciation and amortization</u>	<u>(2,431,748)</u>
<u>Property and equipment, net</u>	<u>\$ 3,753,117</u>

Note 6 Deferred Loans

Deferred loans payable consisted of the following at September 30, 2016:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
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.	0%	3/17/2026	\$ 229,263
Dakota County CDA HOME funds, principal and interest forgiven 15 years from project completion date. Secured by a 6-plex at 215 South Street, South St. Paul, Minnesota.	1%	9/1/2017	96,770
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.	1%	9/1/2022	59,400
MHFA funds, forgiven 10% per year starting year 11 through year 20. Secured by a 5-plex at 20345 Iberia Avenue, Lakeville, Minnesota.	0%	9/30/2019	45,000
Dakota County CDA HOME funds, principal and interest forgiven after 20 years. Secured by a 5-plex at 20345 Iberia Avenue, Lakeville, Minnesota.	10%	9/30/2019	100,000
MHFA funds, principal forgiven at 10% per year starting year 11 through year 20. Secured by a home at 4710 Granada Point, Eagan, Minnesota.	0%	6/26/2018	6,000

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 6 Deferred Loans (Continued)

Description	Interest Rate	Maturity Date	Balance
Dakota County CDA HOME funds, interest forgiven after 30 years, principal due upon sale. Secured by a home at 4710 Granada Point, Eagan, Minnesota.	10%	3/16/2028	\$ 24,944
MHFA funds, principal forgiven at 10% per year starting year 11 through year 20. Secured by a home at 7802 Glenda Court, Apple Valley, Minnesota.	0%	6/26/2018	8,040
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.	10%	3/19/2028	20,909
MHFA funds, principal forgiven at 10% per year starting with year 7. Secured by a 6-plex at 541 12 th Avenue North, South St. Paul, Minnesota.	0%	5/17/2017	9,500
Dakota County CDA HOME funds, principal and interest forgiven after 15 years. Secured by a 6-plex at 541 12 th Avenue North, South St. Paul, Minnesota.	1%	11/1/2016	73,500
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.	0%	11/1/2021	72,600
HUD Supportive Housing, principal forgiven at the end of 20 years. Secured by a 7-plex at 4309 124 th Street West, Savage, Minnesota.	0%	8/17/2025	90,000
Total			\$ 835,926

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 6 Deferred Loans (Continued)

Forgiveness of deferred loans are as follows at September 30, 2016:

2017	\$ 219,040
2018	48,770
2019	137,000
2020	22,000
2021	22,000
Thereafter	387,116
<u>Total</u>	<u>\$ 835,926</u>

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 7 Notes Payable

Notes payable consisted of the following at September 30, 2016:

Note payable, secured by property used for permanent and transitional housing, no monthly payments and interest at 0% per annum, matures October 31, 2020.	\$ 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.	425,368
<u>Total</u>	<u>839,447</u>
<u>Current portion</u>	<u>(54,468)</u>
<u>Long-term notes payable</u>	<u>\$ 784,979</u>

Future maturities of notes payable are as follows at September 30, 2016:

2017	\$ 54,468
2018	57,212
2019	60,095
2020	63,122
2021	480,381
Thereafter	124,169
<u>Total</u>	<u>\$ 839,447</u>

Interest expense for the year ended September 30, 2016, was \$51,006.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 8 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 \$987,245 as of September 30, 2016.

Total remaining payments required	\$ 602,472
<u>Less - Amount representing interest</u>	<u>42,414</u>

Amount representing principal	560,058
<u>Less - Current portion</u>	<u>163,816</u>

<u>Long-term portion</u>	<u>\$ 396,242</u>
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Future obligations of principal and interest are as follows at September 30, 2016:

2017	\$ 185,376
2018	185,376
2019	185,376
<u>2020</u>	<u>46,344</u>

<u>Total</u>	<u>\$ 602,472</u>
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Note 9 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 year ended September 30, 2016, was \$82,539.

Note 10 Grant Awards

At September 30, 2016, the Organization had received commitments for future funding under various grant awards of \$3,353,824. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 11 Operating Lease Agreements

The Organization has several operating leases, primarily for space. Lease expense was \$161,016 for the year ended September 30, 2016.

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, 2016:

2017	\$ 136,385
2018	21,012
2019	10,056
2020	10,056
2021	1,919
<u>Total</u>	<u>\$ 179,428</u>

Note 12 Temporarily Restricted Net Assets

Temporarily restricted net assets have specific purpose or time restrictions and consisted of the following amounts at September 30, 2016:

Child education	\$ 23,632
Food shelf	201,936
Emergency services	29,532
Energy assistance	5,315
<u>Total</u>	<u>\$ 260,415</u>

Note 13 Functional Classification of Expenses

The following programs and supporting services are reflected in the statement of activities for the year ended September 30, 2016:

Federal, state, and local programs:

Child education	\$ 3,941,804
Energy assistance	950,769
Housing programs	1,459,898
Food programs	3,317,056
Community service program	590,486
Other programs	403,050
<u>Total program activities</u>	<u>10,663,063</u>
Management and general	1,076,529
<u>Fund-raising</u>	<u>26,660</u>
<u>Total expenses</u>	<u>\$ 11,766,252</u>

Scott-Carver-Dakota CAP Agency, Inc.

Notes to Financial Statements

Note 14 **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. Client benefits in the amount of \$2,974,628 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 award.

Note 15 **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 16 **Subsequent Events**

On January 18, 2017, the Organization entered into a loan agreement with the Dakota County Community Development Agency under the HUD HOME Loan program for the acquisition of and rehabilitation of housing units located in Burnsville, Minnesota. The total amount of the loan is not to exceed \$232,517 and bears interest at an annual rate of 1%. The total loan, plus accrued interest, is due on January 18, 2047, but will be forgiven on January 18, 2017 if all of the terms and conditions of the loan, including the affordability requirements, are met by that date.

The Organization has decided it will no longer administer the U.S. Department of Housing and Urban Development Section 8 Housing Choice Voucher Program, Catalog of Federal Domestic Assistance (CFDA) number 14.871. Effective July 1, 2017, the program will continue as a program of a different grantee due to a voluntary transfer. The total federal and local revenues and expenses for this program were approximately \$340,000 for the year ended September 30, 2016.

Supplementary Information

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2016

Administering Agency Award Description Pass-Through Agency	CFDA Number	Agency I.D. Number	Federal Expenditures
U.S. Department of Agriculture			
Special Supplemental Food Program for Women, Infants, and Children			
Minnesota Department of Health			
January 1, 2011 to December 31, 2015	10.557	2MN700004	\$ 2,268,274
October 1, 2015 to September 30, 2016	10.557	2MN700004	60,722
Subtotal 10.557			2,328,996
Child and Adult Care Food Program			
Minnesota Department of Education			
September 1, 2016 to August 31, 2016	10.558	1000003524	140,951
Supplemental Nutrition Assistance Program Outreach			
Minnesota Department of Human Services			
October 1, 2015 to September 30, 2016	10.561	2015IS251442	46,000
Total U.S. Department of Agriculture			2,515,947
U.S. Department of Housing and Urban Development			
Emergency Shelter Grants Program			
Minnesota Department of Human Services			
July 1, 2015 to June 30, 2017	14.231	GRK%94486	75,405
July 1, 2015 to June 30, 2017	14.231	GRK%94203	40,513
Subtotal 14.231			115,918
Continuum of Care			
Direct Award			
June 1, 2015 to May 31, 2017	14.267	MN0070L5K031407	22,317
December 1, 2015 to November 30, 2016	14.267	MN0162L5K031406	209,122
June 1, 2015 to May 31, 2017	14.267	MN0279L5K031401	42,311
Subtotal 14.267			273,750
Section 8 Housing Program			
Direct Award			
October 1, 2015 to September 30, 2016	14.871	MV803V00001	312,698
Total U.S. Department of Housing and Urban Development			702,366

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A

Schedule of Expenditures of Federal Awards (Continued)

Year Ended September 30, 2016

Administering Agency Award Description Pass-Through Agency	CFDA Number	Agency I.D. Number	Federal Expenditures
U.S. Department of Health and Human Services			
Aging Cluster			
Metropolitan Area Agency on Aging, Inc.			
Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers			
January 1, 2015 to December 31, 2015	93.044	311-11-0003B-205	\$ 361
Special Programs for the Aging - Title III, Part C-Nutrition Services			
January 1, 2015 to December 31, 2015	93.045	311-15-03C1-113	43,418
January 1, 2016 to December 31, 2016	93.045	311-15-03C1-113	125,221
Nutrition Services Incentive Program			
October 1, 2015 to September 30, 2016	93.053	311-15-03C1-113	52,678
Subtotal Aging Cluster (CFDA 93.044, 93.045, 93.053)			221,678
Low-income Home Energy Assistance			
Minnesota Department of Commerce			
October 1, 2015 to September 31, 2016	93.568	eHeat	2,974,628
October 1, 2015 to September 30, 2016	93.568	B46926/1563	896,477
Subtotal 93.568			3,871,105
Community Services Block Grant			
Minnesota Department of Human Services			
July 1, 2015 to June 30, 2016	93.569	GRK%94811	653,214
Regional Baseline Child Care Resource & Referral Services			
Minnesota Department of Human Services			
July 1, 2015 to June 30, 2017	93.575	2015-00330	171,562
Head Start			
Direct Award			
February 1, 2015 to January 31, 2016	93.600	05CH8401/01	933,109
February 1, 2016 to January 31, 2017	93.600	05CH8401/02	1,510,442
Subtotal 93.600			2,443,551
Total U.S. Department of Health and Human Services			7,361,110
TOTAL FEDERAL EXPENDITURES			\$ 10,579,423

Scott-Carver-Dakota CAP Agency, Inc.

Schedule A

Schedule of Expenditures of Federal Awards (Continued)

Year Ended September 30, 2016

Notes to the Schedule of Expenditures of Federal Awards

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, 2016. 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 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 modified basis of accounting. Such expenditures are recognized following the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Costs

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

Note 4 - Subrecipient Monitoring

No amounts have been passed through to subrecipients for the year ended September 30, 2016.

Note 5 - State of Minnesota eHeat Payments

Client benefits of \$2,974,628 paid directly by the State of Minnesota to the utility companies on behalf of clients are Included in CFDA #93.568. These expenditures are not included in the statement of activities.

Scott-Carver-Dakota CAP Agency, Inc.

Schedule B

Schedule of State and Local Awards

Year Ended September 30, 2016

Program Title	Grantor	Grant Award No.	Expenditures
Family Homeless Prevention and Assistance Program	Dakota County	N/A	\$ 68,836
Family Homeless Prevention and Assistance Program	Carver County	N/A	150,632
Transitional Housing Program	MN Dept. of Human Services	N/A	91,035
Homeless Youth Act	MN Dept. of Human Services	N/A	96,637
Group Residential Housing	MN Dept. of Human Services	N/A	62,548
Crisis Nursery	Scott County	N/A	6,500
Quality Standards Inspections	Dakota County	N/A	10,786
Transitional & Supportive Housing	Dakota County	N/A	10,314
Continuum of Care	Counties	N/A	46,768
Low-Income Weatherization	Community Action of MPLS	N/A	1,916
Conservation Improvement Program (CIP)	Dakota Electric	N/A	76,530
Conservation Improvement Program (CIP)	Minnesota Valley Electric	N/A	34,159
Conservation Improvement Program (CIP)	Shakopee Public Utilities	N/A	34,060
River Valley Nursing Center	Other local agencies	N/A	2,719
Scott Family Net	Scott County	N/A	59,602
Supplemental Nutrition Assistance Program Outreach (SNAP)	United Way	N/A	23,000
Women, Infants and Children (WIC)	Carver County	N/A	6,096
Women, Infants and Children (WIC)	Scott County	N/A	490
Senior Nutrition Services	Metro Area Agency on Aging	N/A	104,747
Head Start	Minnesota Dept. of Education	N/A	1,043,208
Head Start	United Way	N/A	262,930
National Community Reinvestment Coalition (NCRC)	Other local agencies	N/A	6,001
Food Shelf	United Way	N/A	64,881
Food Shelf	Scott County	N/A	26,598
Food Shelf	MN Food Share	N/A	21,740
Healthy Families	Dakota County	N/A	307,989
MN Community Action Grant	MN Dept. of Human Services	N/A	139,849
Corporate Funds	Scott County	N/A	3,850
TOTAL STATE AND LOCAL AWARDS			\$ 2,764,421



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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, 2016, and the related 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 March 30, 2017.

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

Wipfli LLP

March 30, 2017
Minneapolis, Minnesota



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

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 its major federal programs for the year ended September 30, 2016. 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 of Scott-Carver-Dakota CAP Agency, Inc. is responsible for compliance with the requirements of federal statutes, regulations, and 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 Scott-Carver-Dakota CAP Agency, Inc.'s compliance.

Opinion on Each Major Federal Program

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, 2016.

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 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 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. 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

March 30, 2017
Minneapolis, Minnesota

Scott-Carver-Dakota CAP Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

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 Health and Human Services	
Community Services Block Grant	93.569
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

Section III - Prior Year Findings and Questioned Costs

None.