

Community Emergency Assistance Programs, Inc.

Brooklyn Center, Minnesota

**Consolidated Financial Statements
with Additional Information**

Auditor's Report

For the Years Ended

June 30, 2018 and 2017



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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Independent Auditor's Report

Board of Directors
Community Emergency Assistance Programs, Inc.
Brooklyn Center, Minnesota

We have audited the accompanying consolidated financial statements of Community Emergency Assistance Programs, Inc., which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expense, and consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Emergency Assistance Programs, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
November 13, 2018

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Support and Revenue:					
Contributions	\$ 3,123,499	\$ 25,000	\$ 3,148,499	\$ 243,856	\$ 3,363,613
Government Contracts and Grants	470,576	-	470,576	-	485,423
United Way	1,001	97,850	98,851	97,850	99,186
Program Fees	224,229	-	224,229	-	222,322
Interest Income	10,034	-	10,034	-	4,328
Other Income	79,725	-	79,725	-	78,783
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	80,300	(80,300)	-	(272,346)	-
United Way Allocation	97,850	(97,850)	-	(103,000)	-
Total Support and Revenue	4,087,214	(55,300)	4,031,914	(33,640)	4,253,655
Expense:					
Program Services	3,647,163	-	3,647,163	-	3,749,447
Support Services:					
Management and General	256,968	-	256,968	-	238,833
Fundraising	260,379	-	260,379	-	205,443
Total Support Services	517,347	-	517,347	-	444,276
Total Expense	4,164,510	-	4,164,510	-	4,193,723
Change in Net Assets from Operations	(77,296)	(55,300)	(132,596)	(33,640)	59,932
Other Changes in Net Assets:					
Northwest Family Service Center:					
Change in Net Assets	(880,526)	-	(880,526)	-	(882,317)
Change in Net Assets	(957,822)	(55,300)	(1,013,122)	(33,640)	(822,385)
Net Assets - Beginning of Year	2,743,049	178,150	2,921,199	211,790	3,743,584
Net Assets - End of Year	\$ 1,785,227	\$ 122,850	\$ 1,908,077	\$ 178,150	\$ 2,921,199

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

EXHIBIT B

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
 FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2018				2017	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 547,093	\$ 97,855	\$ 199,079	\$ 296,934	\$ 844,027	\$ 800,921
Payroll Taxes	58,293	10,414	21,187	31,601	89,894	84,065
Employee Benefits	46,516	8,310	16,906	25,216	71,732	69,690
Total Personnel Costs	651,902	116,579	237,172	353,751	1,005,653	954,676
Needs of People	2,750,995	-	-	-	2,750,995	2,759,646
Occupancy	148,660	24,024	7,948	31,972	180,632	194,347
Professional Fees	54,984	40,228	3,879	44,107	99,091	103,916
Office Expense	25,343	14,652	10,158	24,810	50,153	47,249
Staff and Volunteer Expenses	10,384	9,479	592	10,071	20,455	22,186
Miscellaneous	1,953	10,492	551	11,043	12,996	81,619
Bad Debts	-	9,721	-	9,721	9,721	-
Interest Expense	-	7,736	-	7,736	7,736	5,334
Travel and Transportation	2,942	392	79	471	3,413	8,119
Depreciation	-	23,665	-	23,665	23,665	16,631
Total Expense	\$ 3,647,163	\$ 256,968	\$ 260,379	\$ 517,347	\$ 4,164,510	\$ 4,193,723

The accompanying Notes to Consolidated Financial Statements
 are an integral part of this statement.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2017

	Total Program Services	Support Services			Total All Services
		Management & General	Fund- raising	Total Support Services	
Salaries	\$ 552,484	\$ 104,257	\$ 144,180	\$ 248,437	\$ 800,921
Payroll Taxes	62,013	7,863	14,189	22,052	84,065
Employee Benefits	42,342	12,126	15,222	27,348	69,690
Total Personnel Costs	656,839	124,246	173,591	297,837	954,676
Needs of People	2,759,646	-	-	-	2,759,646
Occupancy	159,948	25,848	8,551	34,399	194,347
Professional Fees	66,240	33,336	4,340	37,676	103,916
Office Expense	30,538	11,334	5,377	16,711	47,249
Staff and Volunteer Expenses	2,703	15,378	4,105	19,483	22,186
Miscellaneous	68,074	4,848	8,697	13,545	81,619
Interest Expense	-	5,334	-	5,334	5,334
Travel and Transportation	5,459	1,878	782	2,660	8,119
Depreciation	-	16,631	-	16,631	16,631
Total Expense	\$ 3,749,447	\$ 238,833	\$ 205,443	\$ 444,276	\$ 4,193,723

The accompanying Notes to Consolidated Financial Statements
are an integral part of this statement.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and Cash Equivalents	\$ 118,889	\$ 301,408
Accounts Receivable (Less Allowance for Doubtful accounts of \$3,163 and \$3,168 for 2018 and 2017, respectively)	87,100	103,732
Grants and Pledges Receivable	117,604	105,350
Prepaid Expense	54,133	44,861
Funds Held in Escrow - Northwest Family Service Center, LLC.	<u>259,864</u>	<u>-</u>
Total Current Assets	637,590	555,351
Noncurrent Assets:		
Property and Equipment - Net Operations	21,945,826	22,671,179
Note Receivable - CEAP Investment Fund, LLC	4,000,000	4,000,000
Funds Held in Escrow - Northwest Family Service Center, LLC.	<u>-</u>	<u>383,210</u>
TOTAL ASSETS	<u>\$ 26,583,416</u>	<u>\$ 27,609,740</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 106,076	\$ 169,919
Accrued Salaries and Vacation	59,171	56,796
Notes Payable	18,279,530	110,691
Deferred Revenue	2,107	1,135
Capital Leases Payable	<u>3,223</u>	<u>-</u>
Total Current Liabilities	18,450,107	338,541
Accounts Payable	35,736	-
Notes Payable - Northwest Family Service Center	6,175,000	24,350,000
Capital Leases Payable	<u>14,496</u>	<u>-</u>
Total Liabilities	24,675,339	24,688,541
Net Assets:		
Unrestricted	3,565,105	3,818,507
Temporarily Restricted	<u>122,850</u>	<u>178,150</u>
Total Net Assets	3,687,955	3,996,657
Non-Controlling Interest in Northwest Family Services, LLC.:		
Hennepin County Department of Human Services and Public Health	(889,939)	(537,729)
Independent School District #279	<u>(889,939)</u>	<u>(537,729)</u>
Total Net Assets and Non-Controlling Interest	<u>1,908,077</u>	<u>2,921,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,583,416</u>	<u>\$ 27,609,740</u>

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,013,122)	\$ (822,385)
Total Adjustments	<u>750,588</u>	<u>765,231</u>
Net Cash (Used) by Operating Activities	(262,534)	(57,154)
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(34,825)	(12,550)
Funds Held in Escrow	<u>123,346</u>	<u>125,162</u>
Net Cash Provided by Investing Activities	88,521	112,612
Cash Flows from Financing Activities:		
Payments on Line of Credit	(6,161)	(6,947)
Payments on Capital Leases	<u>(2,345)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	(8,506)	(6,947)
Net Increase (Decrease) in Cash and Cash Equivalents	(182,519)	48,511
Cash and Cash Equivalents - Beginning of Year	<u>301,408</u>	<u>252,897</u>
Cash and Cash Equivalents - End of Year	<u>\$ 118,889</u>	<u>\$ 301,408</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid For:		
Interest Expense	<u>\$ 1,237,246</u>	<u>\$ 1,236,742</u>
Noncash Investing Activities:		
Acquisition of Property and Equipment through Capital Lease	<u>\$ 20,065</u>	<u>\$ -</u>
Noncash Financing Activities:		
Acquisition of Property and Equipment through Capital Lease	<u>\$ 20,065</u>	<u>\$ -</u>

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Community Emergency Assistance Programs, Inc. (CEAP) include the accounts of Northwest Family Service Center LLC (NFSC) and Northwest Family Service Center Lender, LLC (NFSL). Significant inter-company transactions have been eliminated. CEAP is the sole member of both NFSC and NFSL.

NFSC was created to develop and construct a new facility housing CEAP, Hennepin County Department of Human Services and Public Health (HC), and Independent School District 279 (District 279). NFSC is a variable interest entity with the interests of HC and District 279 being reflected as non-controlling interests in these financial statements based on their ownership interests in the building when NFSC dissolves.

Organizational Purpose

CEAP is a Minnesota nonprofit corporation that empowers families in need in Northwest Hennepin and Anoka Counties by providing food, clothing, and personalized support to help them establish a path to stability and independence.

Since 1970, CEAP's programs have increased in scope to include not only food assistance, but a clothing closet, emergency financial assistance, community resource information and referrals, no-interest car loans, Meals on Wheels, and Senior Chore services. In addition CEAP provides holiday gifts, school supplies, and birthday bags on a seasonal basis. Combined, these programs create wrap around services for families to not only meet their basic needs, but help them move towards greater self sufficiency.

Net Assets

In order to observe the limitations and restrictions placed on resources available to CEAP, resources are classified for accounting and reporting purposes in net asset groups which are established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts.

Temporarily Restricted Net Assets – The part of net assets of CEAP resulting from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, CEAP considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. CEAP maintains its cash accounts at several financial institutions. At times throughout the year, its cash balances may exceed insured limits of the Federal Deposit Insurance Corporation.

Investments

CEAP carries its investments at market value. Investments consist of money market funds, the cost of which approximates market value.

Accounts and Notes Receivable and Doubtful Accounts

CEAP extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Current accounts receivable are generally uncollateralized and CEAP does not charge interest on accounts receivable balances. Long-term accounts receivable are collateralized by liens on vehicles purchased by participants. CEAP reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. CEAP provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Accounts are stated net of the allowance for doubtful accounts of \$3,163 and \$3,168 for the years ended June 30, 2018 and 2017, respectively.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Property and Equipment

Property and equipment in excess of \$1,000 are recorded at cost if purchased or at fair market value at the date of gift if donated. All acquisitions of property and equipment and all expenditures for betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided through the use of the straight-line method.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Carrying Value of Long-Lived Assets

CEAP tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the asset and fair value, which is generally determined, based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

Contributions and Grants

CEAP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statement of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Gifts of property, plant and equipment or gifts of cash to be used to acquire such assets, absent specific donor stipulations, are reported as net assets released from restrictions when the donated or acquired long-lived assets are placed in service.

CEAP receives significant amounts of funding from the United Way, governmental entities and foundations. A significant reduction in the level of support, if this were to occur, could have an adverse effect on CEAP's programs and activities.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, CEAP will record such disallowance at the time the final assessment is made.

Deferred Revenue

Revenue received in the current fiscal year that pertain to the following fiscal year are recorded as deferred revenue and recognized in the year earned.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Expenses are recorded in program and support service functions when incurred where possible. Expenses which are not directly identifiable by program or supporting service are allocated based on predetermined percentages derived from payroll and occupancy statistics.

Income Tax

CEAP has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. CEAP's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. CEAP continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, CEAP annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2015 and later remain subject to examination by the Internal Revenue Service.

Use of Estimates

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

The most significant estimates relate to the collectability of loans receivable.

Subsequent Events

CEAP has evaluated the effect that subsequent events would have on the financial statements through November 13, 2018, which is the date financial statements were available to be issued.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. Concentrations of Credit Risk

CEAP provides services to individuals residing primarily in northwest Hennepin and Anoka Counties. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and contributions receivable are substantially from local residents, governments or institutions.

3. Property and Equipment

CEAP owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2018</u>	<u>2017</u>	<u>Useful Lives</u>
Operations:			
Building and Improvements	\$ 32,304	\$ 32,304	10-30 years
Furniture and Equipment	114,927	90,643	5-15 years
Vehicles	137,419	106,814	5 years
Northwest Family Service Center:			
Land	3,310,000	3,310,000	
Building	<u>22,697,312</u>	<u>22,697,312</u>	40 years
	26,291,962	26,237,073	
Less Accumulated Depreciation			
Operations	188,337	164,672	
Northwest Family Service Center	<u>4,157,799</u>	<u>3,401,222</u>	
	<u>\$ 21,945,826</u>	<u>\$ 22,671,179</u>	

Depreciation expense from operations was \$23,665 and \$16,631 for the years ended June 30, 2018 and 2017, respectively. Depreciation expense from Northwest Family Service Center was \$756,577 for both of the years ended June 30, 2018 and 2017.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. Notes Payable

The breakdown of note payable was as follows as of:

	June 30,	
	2018	2017
CEAP:		
5.5% interest line of credit from Topline. Payable on demand. Secured by all assets of CEAP. Limit of \$100,000. Matures 12/1/2023.	\$ 104,530	\$ 110,691
Northwest Family Service Center:		
4.592% interest note from MMCDC New Markets XXV, LLC. Principle of \$3,811,635 due June 5, 2019. Accrued interest paid monthly. Secured by building.	3,811,635	3,811,635
4.592% interest loan from MMCDC New Markets XXV, LLC. Principle of \$5,688,365 due in full August 15, 2041. Accrued interest paid monthly. Secured by building.	5,688,365	5,688,365
4.4065% interest loan from GNDC New Markets Fund I, LLC. Principle of \$11,963,365 due June 5, 2019. Accrued interest paid monthly. Secured by building.	14,363,365	14,363,365
4.4065% interest loan from GNDC New Markets Fund I, LLC. Principle of \$2,486,635 due in full August 15, 2041. Accrued interest paid monthly. Secured by building.	486,635	486,635
	24,454,530	24,460,691
Less Portion Due Within One Year	18,279,530	110,691
Long-term Portion	<u>\$ 6,175,000</u>	<u>\$ 24,350,000</u>

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. Notes Payable (continued)

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2019	\$ 18,279,530
2020	-
2021	-
2022	-
2023	-
2024 and beyond	<u>6,175,000</u>
Total	<u>\$ 24,454,530</u>

5. Capital Leases

Equipment under capital leases consists of two capitalized copiers with a combined capitalized cost of \$20,065. Accumulated depreciation in the statement of financial position relating to these leased copiers includes \$3,106 and \$-0- for the years ended June 30, 2018 and 2017, respectively. Depreciation expense reported in the statement of functional expenses for the leased copiers includes \$3,106 and \$-0- for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2019	\$ 3,223
2020	3,622
2021	4,081
2022	4,611
2023	<u>2,182</u>
Total	<u>\$ 17,719</u>

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of time restrictions for the following as of:

	June 30,	
	2018	2017
Program Activities	\$ 122,850	\$ 178,150

7. Operating Leases

Rental commitments under noncancelable leases for office space and equipment in effect at June 30, 2018, totaled \$1,731. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	<u>Space</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 1,500	\$ 231	\$ 1,731

Rental expense for office space was \$18,003 and \$16,958 for the years ended June 30, 2018 and 2017, respectively. Rental expense for office equipment was \$7,133 for both years ended June 30, 2018 and 2017, respectively.

CEAP rents space from the Northwest Family Service Center LLC for \$20,681 per month until June 30, 2019. At that time each non-controlling partner will be given their share of ownership of the building. CEAP would then own 20% of the building.

8. In-kind Contributions

CEAP records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	June 30,	
	2018	2017
Food at \$1.50 per pound	\$ 2,273,679	\$ 2,252,084
Clothing at \$1.00 per item	50,075	46,244
Other Program Supplies	88,349	53,122
	\$ 2,412,103	\$ 2,351,450

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

8. In-kind Contributions (continued)

CEAP utilizes and relies upon the services of volunteers to carry out its programs. Services provided by volunteers do not meet the specialized service requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 958-605-25-16, "Accounting for Contributions Received and Contributions Made" and are therefore not reflected in the financial statements. Management estimates the value of these services to be \$509,626 when valued at \$17.00 per hour for the year ended June 30, 2018 and \$890,723 when valued at \$17.00 per hour for the year ended June 30, 2017.

9. Northwest Family Service Center

CEAP has led efforts to develop the Northwest Family Services Center. This facility consists of a new 20,000 useable square feet for CEAP in conjunction with a 40,000 useable square feet regional office of the Hennepin County Department of Human Services and Public Health. The facility is located in Brooklyn Center and is an addition to the Adult Education Center of the Independent School District 279.

The total cost of the facility was approximately \$27,660,000. The funding for the project was comprised of participant equity contributions and long-term loans from project participants and development entities utilizing federal new market tax credits. New Market Tax Credits are a funding mechanism created by the US Treasury Department to stimulate project development in federally recognized distressed areas that would otherwise find accessing capital difficult if not impossible. The tax credits are awarded annually then purchased by private investors. The purchaser of the tax credits for the Northwest Family Service Center is US Bank.

10. Retirement Plan

CEAP maintained a defined contribution annuity plan that covered those employees who met eligibility requirements. Under the plan, CEAP contributed 5% of eligible salaries and wages. In the year ended June 30, 2017, CEAP began the process of terminating the plan. Contributions of \$-0- and \$6,688 were made in the years ended June 30, 2018 and 2017, respectively.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities were as follows as of:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Depreciation	\$ 780,242	\$ 773,208
Accounts Payable	35,736	-
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(63,843)	16,058
Accrued Salaries and Vacation	2,375	(25,691)
Deferred Revenue	972	260
Decreases (Increases) in Current Assets:		
Accounts Receivable	16,632	(4,235)
Grants and Pledges Receivable	(12,254)	4,359
Prepaid Expense	(9,272)	1,272
Total Adjustments	<u>\$ 750,588</u>	<u>\$ 765,231</u>

ADDITIONAL INFORMATION



Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Statement of Auditor's Responsibility

Board of Directors
Community Emergency Assistance Programs, Inc.
Brooklyn Center, Minnesota

We have audited the consolidated financial statements of Community Emergency Assistance Programs, Inc. as of and for the years ended June 30, 2018 and 2017, and our report thereon dated November 13, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of revenue, expense and changes in net assets of Community Emergency Assistance Programs, Inc. for the year ended June 30, 2018, 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. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Carpenter Evert and Associates, LTD.

Certified Public Accountants

Minneapolis, Minnesota
November 13, 2018

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
CONSOLIDATING SCHEDULE OF REVENUE, EXPENSE AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	CEAP	Northwest Family Service Center, LLC	Elimination Entries	Total
Support and Revenue:				
Contributions	\$ 3,148,499	\$ -	\$ -	\$ 3,148,499
Government Contracts and Grants	470,576	-	-	470,576
United Way	98,851	-	-	98,851
Program Fees	224,229	-	-	224,229
Rental Income	272,516	1,124,626	(497,199)	899,943
Investment Income	10,034	619	-	10,653
Other Income	56,236	-	-	56,236
Total Support and Revenue	<u>4,280,941</u>	<u>1,125,245</u>	<u>(497,199)</u>	<u>4,908,987</u>
Expense:				
Salaries	844,027	-	-	844,027
Payroll Taxes	89,894	-	-	89,894
Employee Benefits	71,732	-	-	71,732
Total Personnel Expense	<u>1,005,653</u>	<u>-</u>	<u>-</u>	<u>1,005,653</u>
Needs of People	2,750,995	-	-	2,750,995
Interest	7,736	1,229,510	(248,172)	989,074
Occupancy	429,659	-	(249,027)	180,632
Professional Fees	99,091	18,351	-	117,442
Office Expense	50,153	-	-	50,153
Staff and Volunteer Expenses	20,455	-	-	20,455
Miscellaneous	12,996	1,333	-	14,329
Bad Debts	9,721	-	-	9,721
Travel and Transportation	3,413	-	-	3,413
Depreciation	23,665	756,577	-	780,242
Total Expense	<u>4,413,537</u>	<u>2,005,771</u>	<u>(497,199)</u>	<u>5,922,109</u>
Change in Net Assets	(132,596)	(880,526)	-	(1,013,122)
Net Assets - Beginning of Year	<u>4,265,522</u>	<u>(1,344,323)</u>	<u>-</u>	<u>2,921,199</u>
Net Assets - End of Year	<u>\$ 4,132,926</u>	<u>\$ (2,224,849)</u>	<u>\$ -</u>	<u>\$ 1,908,077</u>

See Statement of Auditor's Responsibility.

COMMUNITY EMERGENCY ASSISTANCE PROGRAMS, INC.
 CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
 JUNE 30, 2018

	CEAP	Northwest Family Service Center, LLC	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 103,115	\$ 15,774	\$ -	\$ 118,889
Operating	87,100	-	-	87,100
Accounts Receivable (Less Allowance for Doubtful accounts of \$3,163 and \$3,168 for 2018 and 2017, respectively)	117,604	-	-	117,604
Grants and Pledges Receivable	54,133	-	-	54,133
Prepaid Expense	-	259,864	-	259,864
Funds Held in Escrow	361,952	275,638	-	637,590
Total Current Assets	4,000,000	-	-	4,000,000
Notes Receivable	96,313	21,849,513	-	21,945,826
Property and Equipment - Net Operations	\$ 4,458,265	\$ 22,125,151	\$ -	\$ 26,583,416
TOTAL ASSETS				

	CEAP	Northwest Family Service Center, LLC	Eliminations	Total
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Notes Payable	\$ 104,530	\$ -	\$ -	\$ 104,530
Accounts Payable	106,076	-	-	106,076
Accrued Salaries and Vacation	59,171	-	-	59,171
Deferred Revenue	2,107	-	-	2,107
Capital Leases Payable	3,223	-	-	3,223
Total Current Liabilities	275,107	-	-	275,107
Accounts Payable	35,736	-	-	35,736
Notes Payable	-	24,350,000	-	24,350,000
Capital Leases Payable	14,496	-	-	14,496
Total Liabilities	325,339	24,350,000	-	24,675,339
Net Assets:				
Unrestricted	4,010,076	(2,224,849)	-	1,785,227
Temporarily Restricted	122,850	-	-	122,850
Total Net Assets	4,132,926	(2,224,849)	-	1,908,077
TOTAL LIABILITIES AND NET ASSETS				
	\$ 4,458,265	\$ 22,125,151	\$ -	\$ 26,583,416