

Anoka County Community Action Program, Inc. and Affiliates

Blaine, Minnesota

Consolidated Financial Statements
and Supplementary Information

Year Ended December 31, 2022



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Anoka County Community Action Program, Inc. and Affiliates

Year Ended December 31, 2022

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Anoka County Community Action Program, Inc. and Affiliates (the "Anoka County Community Action Program, Inc. and Affiliates"), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anoka County Community Action Program, Inc. and Affiliates as of December 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Anoka County Community Action Program, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. 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*.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Anoka County Community Action Program, Inc. and Affiliates' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Anoka County Community Action Program, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anoka County Community Action Program, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Financial Information for ACCAP Thousand Oaks Property 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. In our opinion, the information is fairly stated in all materiality 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 September 28, 2023 on our consideration of the Anoka County Community Action Program, Inc.'s and Grasslands Housing, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Anoka County Community Action Program, Inc.'s and Grasslands Housing, Inc.'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 the Anoka County Community Action Program, Inc.'s and Grasslands Housing, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

September 28, 2023

Anoka County Community Action Program, Inc. and Affiliates

Consolidated Statement of Financial Position

December 31, 2022

<i>Assets</i>	
Current assets:	
Cash	\$ 2,329,507
Grants receivable	1,817,744
Accounts receivable, net	180,726
Prepaid expenses	26,815
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Total current assets	4,354,792
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Investments	3,437,380
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Other assets:	
Forgivable housing loans receivable	114,285
Operating lease asset, net	281,819
Finance lease asset, net	658,602
Restricted reserves	831,464
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Total other assets	1,886,170
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Property and equipment, net	18,589,560
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TOTAL ASSETS	\$ 28,267,902

See accompanying notes to consolidated financial statements.

Anoka County Community Action Program, Inc. and Affiliates

Consolidated Statement of Financial Position (Continued)

December 31, 2022

Liabilities and Net Assets

Current liabilities:

Notes payable, current portion	\$ 295,766
Forgivable loans payable, current portion	12,229
Operating lease obligations, current portion	78,801
Finance lease obligations, current portion	120,000
Accounts payable	387,546
Security deposits	267,375
Prepaid rents	34,460
Refundable advance liability	104,786
Accrued payroll and related expenses	1,098,136

Total current liabilities	2,399,099
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Long-term liabilities:

Notes payable	8,352,563
Forgivable loans payable	437,305
Operating lease obligations	209,771
Finance lease obligations	668,416
Accrued interest	547,596
Forgivable housing loans	19,385

Total long-term liabilities	10,235,036
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Total liabilities	12,634,135
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Net assets:

Without donor restrictions	15,623,267
Without donor restrictions - board designated	10,500
Total net assets without donor restrictions	15,633,767

TOTAL LIABILITIES AND NET ASSETS	\$ 28,267,902
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See accompanying notes to consolidated financial statements.

Anoka County Community Action Program, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2022

Revenue:		
Grant revenue	\$	14,760,897
Other revenue		644,362
Contributions		12,910
Program service fees		53,226
Rental revenue		3,350,510
Investment loss		(413,028)
Debt forgiveness		12,229
In kind contributions		27,053
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Total revenue		18,448,159
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Expenses:		
Program		16,621,149
Management and general		3,064,372
Development and fund-raising		68,012
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Total expenses		19,753,533
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Change in net assets		(1,305,374)
Net assets at beginning of year		16,939,141
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Net assets at end of year		15,633,767

See accompanying notes to consolidated financial statements.

Anoka County Community Action Program, Inc. and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Program Expenses	Management and General	Development and Fundraising	Total
Personnel	\$ 7,920,323	\$ 1,795,347	\$ 68,012	\$ 9,783,682
Beneficiary assistance	3,309,556	-	-	3,309,556
Professional services	306,175	444,841	-	751,016
Insurance	174,389	46,034	-	220,423
Occupancy	632,297	321,470	-	953,767
Depreciation	823,142	242,511	-	1,065,653
Interest	245,150	-	-	245,150
Property tax	427,301	-	-	427,301
Repair and maintenance	1,539,315	-	-	1,539,315
Office expense	1,006,448	195,169	-	1,201,617
Bad debt expense	210,000	19,000	-	229,000
In-kind	27,053	-	-	27,053
Total	\$ 16,621,149	\$ 3,064,372	\$ 68,012	\$ 19,753,533

See accompanying notes to consolidated financial statements.

Anoka County Community Action Program, Inc. and Affiliates

Consolidated Statement of Cash Flows

Year Ended December 31, 2022

Increase (decrease) in cash and restricted reserves:	
Cash flows from operating activities:	
Change in net assets	\$ (1,305,374)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	1,065,653
Amortization of financing fees	12,532
Amortization of capitalized interest	2,596
Payments of operating lease obligations	(75,953)
Amortization of operating lease assets included in occupancy expense	74,023
Realized and unrealized loss on investments	482,714
Loans forgiven	(12,229)
Bad debt expense	229,000
Changes in operating assets and liabilities:	
Grants receivable	1,100,506
Accounts receivable	(169,456)
Prepaid expenses	(10,553)
Accounts payable	48,106
Security deposits	28,129
Accrued payroll and related expenses	(6,895)
Accrued interest	22,548
Prepaid rents	(40,811)
Refundable advance liability	(7,821)
Net cash from operating activities	1,436,715
Cash flows from investing activities:	
Purchase of investments	(1,102,873)
Purchase of property and equipment	(60,548)
Proceeds from sale of investments	1,040,124
Net cash from investing activities	(123,297)

See accompanying notes to consolidated financial statements

Anoka County Community Action Program, Inc. and Affiliates

Consolidated Statement of Cash Flows (Continued)

Year Ended December 31, 2022

Cash flows from financing activities:	
Principal payments on notes payable	(282,807)
Principal payments on finance lease obligations	(115,000)
Net cash from financing activities	(397,807)
Change in cash and restricted reserves	915,611
Cash and restricted reserves- Beginning of year	2,245,360
Cash and restricted reserves - End of year	\$ 3,160,971
Other cash activity:	
Interest paid	\$ 222,602
Forgiveness of housing loans receivable	(32,550)
Forgiveness of housing loans	32,550
Reconciliation of cash and restricted reserves at December 31, 2022:	
Cash	\$ 2,329,507
Restricted reserves	831,464
Total cash and restricted reserves	\$ 3,160,971

See accompanying notes to consolidated financial statements

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 -% 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)

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.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Consolidation

For financial reporting purposes, the consolidated financial statements include the accounts of the entities listed above. These entities will be collectively referred to as the "Organizations". All material intercompany transactions and accounts 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.

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, 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 accordance 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.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition

Contributions

Contributions are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution contains a condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 restrictions if the restrictions expire in the year in which the contributions are recognized.

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 in accordance with the terms of the award. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as a refundable advance liability.

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. 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, 2022 .

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Rental Income

The Organizations' leases consist of tenant leases related to the rental property reported in Note 10. Tenant leases are typically for 12 months or less, do not include extension options and are classified as operating leases. Operating lease revenue is recognized as rental revenue over the term of the lease. Advance receipts, if any, are deferred and classified as liabilities until earned.

Program Service Fees and Other Revenue

Program service fees and other revenue are recognized when earned.

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.

Fair Value Measurements

The Organizations measure 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.

Accounts Receivable

Accounts receivable consist primarily of tenant rents and advances made to other nonprofits. The Organizations analyze rent receivables based on prior collection experience and specific customer attributes. For advances made to other nonprofits the Organizations evaluate the creditworthiness of the nonprofit establishing an allowance, if necessary. The Organizations write off tenant receivables against the allowance when collection efforts have been exhausted. There is an allowance for uncollectible accounts of \$422,319 at December 31, 2022 for tenant receivables, there were no allowances for advances made to other nonprofits as these were deemed to be collectible.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Forgivable Housing Loans Receivable/Allowance for Loan Losses

Forgivable housing loans receivable are recorded at the amount of unpaid principal with repayment terms between 5 to 40 years. The secured loans are non-interest-bearing. Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off. No loans have been issued since 2009. The Organizations do not maintain an allowance for loan loss accounts related to the forgivable housing loans receivable as management believes all loans are collectible and in the event of default by a homeowner, the Organizations could start foreclosure proceedings and take back possession of the home.

Financing Fees

Financing fees represent costs associated with obtaining debt. 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 which approximates the effective interest method. The total cost of financing fees is \$260,443, accumulated amortization is \$113,453 and current year amortization is \$12,532.

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 the Organizations 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 \$551,452 at December 31, 2022.

Lease Policy

The Organizations are a lessee in multiple noncancelable operating and financing leases. If the contract provides the Organizations the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be a lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Policy (Continued)

The Organizations have elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organizations have elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organizations are reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organizations recognize short-term lease cost on a straight-line basis over the lease term.

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.

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 is ACCAP. 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.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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

The Organizations have recorded in-kind contributions for space, supplies, and professional services on the consolidated statement of activities and consolidated statement of functional expenses in accordance with a financial accounting standard that requires that only contributions of service received that create or enhance a nonfinancial asset or required 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 December 31, 2022 , the Organizations received \$27,053 of such contributions for its Head Start program. Such services are valued and reported at the estimated fair value based on current rates for similar products or services. The requirements of this standard are different than the in-kind requirements of several of the Organization's grant awards.

The Organizations received contributions of nonprofessional volunteer services during the year with a fair value of approximately \$43,000 also for its Head Start program, which are not recognized in the consolidated statement of activities or consolidated statement of functional expenses. Those volunteers provided assistance in head start classrooms.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. 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)

Subsequent Events

The Organizations have evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through September 28, 2023, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Organizations maintain 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 the Organizations' main financial institution, the bank has obtained an irrevocable standby letter of credit in the name of the Organizations with the Federal Home Loan Bank of Des Moines. The irrevocable standby letter of credit is \$2,500,000.

The Organizations also have investments (see Note 5). The investments are not insured and subject to economic market conditions.

Note 3: Grants Receivable

Grants receivable represents the following amounts due from the various funding sources as of December 31, 2022:

Federal awards	\$ 646,452
State of Minnesota awards	565,303
Other programs	605,989
<hr/>	
Total grants receivable	\$ 1,817,744

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 as of December 31, 2022:

Tenant security deposits	\$ 101,642
Reserves for real estate taxes, insurance repairs and replacements	322,821
Residual receipts	238,104
Debt service	168,897
<hr/>	
Total restricted reserves	\$ 831,464

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5: Investments

Investments, at fair value, consist of the following at December 31, 2022:

Money market	\$	117,934
Corporate bonds		368,302
Exchange traded funds		2,951,144
<hr/>		
Total	\$	3,437,380

Investment loss consists of the following for the year ended December 31, 2022:

Interest and dividends	\$	87,420
Realized and unrealized loss on investments		(482,714)
Fees		(17,734)
<hr/>		
Total	\$	(413,028)

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the Consolidated Financial Statements.

Note 6: Property and Equipment

Property and equipment purchased consist of the following as of December 31, 2022:

Land	\$	3,445,961
Land improvements		217,052
Buildings and improvements		27,937,753
Equipment		1,579,337
<hr/>		
Subtotal		33,180,103
Accumulated depreciation and amortization		(14,590,543)
<hr/>		
Property and equipment, net	\$	18,589,560

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 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.	\$ -	\$ 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.	150,115	3,514,542	3,664,657
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.	-	180,000	180,000
Note payable to Anoka County, Minnesota, for the Anoka West project, at a 0% interest rate with a lump sum payment due July 2024. Collateralized by real estate.	-	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 \$2,866, due monthly after the first mortgage has been repaid. Collateralized by real estate.	20,274	454,742	475,016
Note payable to Anoka County, Minnesota, at a 1% interest rate compounded annually. The original amount of the loan was \$26,000. Payments of principal and interest of \$2,866 are due monthly. Collateralized by real estate.	14,120	-	14,120
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.	-	187,550	187,550

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7: Notes Payable (Continued)

<p>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.</p>	-	200,000	200,000
<p>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.</p>	-	190,000	190,000
<p>MHFA Trust Fund note payable to MHFA (5th mortgage) at a 1% interest rate and due September 2028 for Woodfield. Payments of principal and interest are not required until the maturity date.</p>	-	148,000	148,000
<p>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.</p>	-	150,000	150,000
<p>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.</p>	-	227,000	227,000
<p>Note payable (2nd 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.</p>	-	306,913	306,913
<p>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.</p>	-	82,286	82,286
<p>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.</p>	-	20,000	20,000
<p>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.</p>	-	104,264	104,264

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7: Notes Payable (Continued)

Note payable to Northeast State Bank at 3.75% interest due May 2034, with monthly payments of principal and interest of \$10,960. Collateralized by real estate.	81,665	1,065,165	1,146,830
Affordable Rental Investment Fund Program mortgage payable to Minnesota Housing Finance Agency with and original loan amount of \$310,000 (MHFA) (2nd mortgage) at a 1% interest rate and due on May 1, 2032.	-	310,000	310,000
Mortgage payable to Anoka County, Minnesota, with an original loan amount of \$242,441 (3rd 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.	-	242,441	242,441
First mortgage payable to Prudential Huntoon Paige Associates, Ltd. At an interest rate of 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.	29,592	917,364	946,956
Subtotal	295,766	8,490,767	8,786,533
Unamortized debt issuance cost, net of accumulated amortization	-	(138,204)	(138,204)
Total	\$ 295,766	\$ 8,352,563	\$ 8,648,329

Future principal payments as of December 31, 2022, are as follows:

2023	\$	295,766
2024		583,265
2025		436,133
2026		410,834
2027		646,461
Thereafter		6,414,074
Total	\$	8,786,533

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8: Forgivable Loans Payable

The Organizations have several non-interest-bearing loans that were used for the purchase and renovation of properties used in the Organizations' transitional housing programs. For the year ended December 31, 2022, loans totaling \$12,229 were forgiven and recorded as revenue in the consolidated statement of activities. Provided that the Organizations continue 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	\$ -	\$ 335,000	\$ 335,000	Skyline
MHFA Loan	Feb. 2033	7,297	72,977	80,274	Towerview North
MHFA Loan	Feb. 2033	2,432	24,328	26,760	Towerview North
MHFA Loan	Aug. 2026	2,500	5,000	7,500	Theatre Heights
Totals		\$ 12,229	\$ 437,305	\$ 449,534	

Future forgivable loan maturities at December 31, 2022 are as follows:

2023	\$ 12,229
2024	12,229
2025	347,229
2026	9,729
2027	9,729
Thereafter	58,389
Total	\$ 449,534

Note 9: Lease Assets and Obligations

The Organizations lease single family homes from Anoka County under a lease which qualifies as a financing lease for accounting purpose.

Finance Lease Assets and Obligations

The Organizations classify its lease with Anoka County as finance leases due to transferring ownership of the land and facilities to the Organizations upon termination of the lease. The finance lease assets are initially measured at cost, which is comprised of the sum of the initial amount of the finance lease liability, initial direct costs incurred, and lease payments made before or at lease commencement, reduced for any lease incentives received. The Organizations amortize the finance lease assets on a straight-line basis over the period from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The finance lease assets cost was \$1,406,594 and accumulated amortization was \$747,992 at December 31, 2022.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 9: Lease Assets and Obligations (Continued)

The finance lease liability is initially measured at the present value of the lease payments, discounted using the discount rate determined at commencement. Subsequent to commencement, the finance lease liability is measured on an amortized cost basis using the effective interest method.

The Organizations recognize the following amounts on the consolidated statement of activities during each period of the leases: amortization of the finance lease asset, interest on the lease liability, any variable lease payments in the period in which the obligation is incurred, and any impairment of the finance lease asset. Amortization of the finance lease assets is included in depreciation and amortization expense and finance lease interest costs are included in interest expense on the consolidated statement of functional expenses. There was no impairment of the finance lease assets during the year ended December 31, 2022. Amortization and interest expenses for the finance leases were \$57,538 and \$48,000 for the year ended December 31, 2022.

The following is a schedule of future minimum payments required under finance lease obligations as of December 31, 2022:

2023	\$	162,096
2024		160,640
2025		163,789
2026		161,262
2027		163,041
Thereafter		159,394
<hr/>		
Total minimum lease payments		970,222
Unamortized debt issuance costs, net of accumulated amortization		(36,584)
Amount representing interest		(145,222)
<hr/>		
Present value of net minimum lease payment	\$	788,416
<hr/>		
Current portion, net of interest		120,000
Long-term portion, net of amortized debt issuance costs		668,416
<hr/>		
Total	\$	788,416
<hr/>		

Operating Lease Assets and Liabilities

The Organizations classify leases as operating leases if they are not short-term leases or finance leases. For operating leases, the Organizations recognize a right-of-use asset and a lease liability at lease commencement. The initial operating lease assets are initially measured at cost, which is comprised of the sum of the initial amount of the operating lease liability, initial direct costs incurred, and lease payments made before or at lease commencement, reduced for any lease incentives received.

The operating lease liability is initially measured at the present value of the lease payments, discounted using the discount rate determined at commencement.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 9: Lease Assets and Obligations (Continued)

The Organizations recognize a single lease expense on the consolidated statement of functional expenses, calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis. The lease cost equals the total lease payments for the lease term, plus total initial direct costs incurred, less the periodic lease cost previously recognized. Any variations in lease payments dependent on a rate or index are expensed in the period in which they are incurred. There were no other variable payments outside of those based on an index or rate. Lease expense for the year ended December 31, 2022 was \$87,693.

The following is a schedule of future minimum payments required under operating lease obligations as of December 31, 2022:

2023	\$	89,623
2024		89,623
2025		89,623
2026		44,811
<hr/>		
Total minimum lease payments		313,680
Amount representing interest		(25,108)
<hr/>		
Present value of net minimum lease payments		288,572
Less: Current portion		(78,801)
<hr/>		
Total long-term portion	\$	209,771

The Organizations sublease space at the administrative office to two other organizations under operating leases. Payments received under these subleases for the year ended December 31, 2022, was \$277,684.

Note 10: Lessor Activity

Rental income of \$3,350,510 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, 2022, is as follows:

Land	\$	2,987,924
Land improvements		217,052
Buildings and improvements		23,684,677
Equipment		223,484
<hr/>		
Subtotal		27,113,137
Accumulated depreciation		(10,215,049)
<hr/>		
Net	\$	16,898,088

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 11: Retirement Plan

All employees of the Organizations 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, the Organizations contribute \$1 for every dollar each employee contributes up to the lesser of \$3,500 or 10% of annual gross wages. The employees are vested upon contribution to the plan. Total contributions during the year ended December 31, 2022, were \$271,375.

Note 12: Grant Awards

At December 31, 2022, the Organizations had received future funding commitments under various grants of approximately \$5,000,000. These commitments are not recognized in the accompanying consolidated financial statements as receivables and revenue as they are conditional awards.

Note 13: Program Operations

The Organizations have 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 paid by the state are not included in the consolidated statement of activities as they were not part of the grant award.

The Organizations have 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 \$14,734,581 paid by the state are not included in the consolidated statement of activities as they were not part of the grant award.

Note 14: Fair Value Measurements

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

- Money market funds are valued using \$1 as the net asset 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 the Organizations believe the 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, 2022.

Anoka County Community Action Program, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis was as follows at December 31, 2022:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market	\$	-	\$ 117,934	\$ 117,934
Corporate bonds		-	368,302	368,302
Exchange traded funds:				
Fixed income		1,111,497	-	1,111,497
Equity		1,839,647	-	1,839,647
Total assets	\$	2,951,144	\$ 486,236	\$ 3,437,380

Note 15: 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, are comprised of the following as of December 31, 2022:

Cash	\$ 2,329,507
Investments	3,437,380
Subtotal financial assets	5,766,887
Less: Prepaid rents	(34,460)
Less: Refundable advance liability	(104,786)
Less: Board designated funds	(10,500)
Total	\$ 5,617,141

The Organizations do not have a formal liquidity policy but generally maintain financial assets in liquid form such as cash and cash equivalents for approximately two to three months of operating expenses.

The Organizations invest 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 Organizations have grant commitments for future expenses of approximately \$7,200,000.

Supplementary Information

Anoka County Community Action Program, Inc.

Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal AL Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through the State of Minnesota, Department of Education			
Child and Adult Care Food Program	2MN300061	10.558	<u>\$ 212,229</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed-Through MN Homeownership Center			
HUD Comprehensive Housing	FY 2021-02, FY2022-02	14.169	<u>11,452</u>
Passed-Through Anoka County			
CDBG Entitlement Grants Cluster			
Community Development Block Grants	C0008502	14.218	<u>3,726</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through Metropolitan Area Agency on Aging			
Aging Cluster			
Special Programs for Aging - Title III, Part B	311-22-003B-299-001	93.044	<u>46,400</u>
Passed-Through the State of Minnesota, Department of Commerce			
Low-Income Home Energy Assistance	2302MNLIEE, 2102MNE5C6	93.568	<u>4,821,909</u>
Passed-Through the State of Minnesota, Department of Human Services			
COVID-19 Community Services Block Grant	177845	93.569	148,821
Community Services Block Grant	H5531823		<u>479,261</u>
Total AL# 93.569			<u>628,082</u>
Direct Grant			
Head Start Cluster			
COVID-19 Head Start	05HE000234-01-01	93.600	715,818
Head Start	05CH01183802, 05CH011838-03-00		<u>7,040,496</u>
Total AL# 93.600			<u>7,756,314</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 13,480,112</u></u>

See Independent Auditors Report.

Anoka County Community Action Program, Inc.

Schedule A

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of 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 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.

NOTE 3 - Indirect Cost Rate

Anoka County Community Action Program, Inc. has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - State of Minnesota eHeat Payments

Included in AL# 93.568 are client benefits paid by the State of Minnesota of \$4,392,557. These expenditures are not included in the consolidated statement of activities.

NOTE 5 - Subrecipients

Anoka County Community Action Program, Inc. did not subcontract any federal funds to subrecipients for the year ended December 31, 2022.

See Independent Auditors Report.

Anoka County Community Action Program, Inc.

Schedule of Financial Information for ACCAP Thousand Oaks Property December 31, 2022

<i>Assets, Liabilities, and Net Assets</i>		
Assets:		
Cash	\$	416,926
Restricted reserves		121,654
Security deposit cash		12,662
Accounts receivable		3,349
Property and equipment, net		293,675
Total assets		848,266
Liabilities and net assets:		
Accounts payable		1,005
Due to ACCAP		153,797
Accrued interest payable		22,910
Security deposits		11,767
Deferred revenue		1,340
Notes payable		489,136
Total liabilities		679,955
Net assets without donor restrictions		168,311
Total liabilities and net assets	\$	848,266

<i>Income and Expense for the Year Ended December 31, 2022</i>		
Revenue:		
Rental revenue	\$	177,931
Interest income (expense)		1,614
Total revenue		179,545
Expenses:		
Administration		33,061
Maintenance		37,247
Utilities		9,766
Insurance		5,772
Real estate taxes		20,149
Depreciation		49,378
Interest		7,378
Total expenses		162,751
Change in net assets	\$	16,794

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

See Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Anoka County Community Action Program, Inc. and Affiliates, as of and for the year ended December 31, 2022 and the related notes to the consolidated financial statements, which collectively comprise the Anoka County Community Action Program, Inc. and Affiliates's basic consolidated financial statements, and have issued our report thereon dated September 28, 2023. 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* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Anoka County Community Action Program Inc.'s and Grasslands Housing, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anoka County Community Action Program Inc.'s and Grasslands Housing, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Anoka County Community Action Program Inc.'s and Grasslands Housing, 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 reasonable possibility that a material misstatement of the Anoka County Community Action Program Inc.'s and Grasslands Housing, Inc.'s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Anoka County Community Action Program, Inc.'s and Grassland Housing, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anoka County Community Action Program Inc.'s and Grasslands Housing, 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 Anoka County Community Action Program Inc.'s and Grasslands Housing, 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

Madison, Wisconsin
September 28, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Anoka County Community Action Program, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022. Anoka County Community Action Program, Inc.'s major federal programs are 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 included Grasslands Housing, Inc., a related entity, that has greater than \$750,000 of federal awards in the year ended December 31, 2022, and has had a separate single audit, and therefore, the federal expenditures of that entity are not included in this audit.

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 each major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Anoka County Community Action Program, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Anoka County Community Action Program, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Anoka County Community Action Program, Inc.'s federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Anoka County Community Action Program, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Anoka County Community Action Program, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Anoka County Community Action Program, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Anoka County Community Action Program, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Anoka County Community Action Program, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Madison, Wisconsin

September 28, 2023

Anoka County Community Action Program, Inc. and Affiliates

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
93.568	Low-Income Home Energy Assistance
93.600	Head Start Cluster

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

Auditee qualified as low-risk auditee? X Yes _____ No

Anoka County Community Action Program, Inc. and Affiliates

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section II - Audit Findings in Relation to Financial Statements

None

Section III - Audit Findings and Questioned Costs in Relation to Federal Awards

None

Section IV - Prior Year Audit Findings and Questioned Costs

None