

SEMCAC
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

**SEMCAC
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YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Semcac
Rushford, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2019 and 2018, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Other Information – Schedule of Expenditures of Federal Awards

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2020, on our consideration of the Organization'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 the Organization'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 Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
May 5, 2020

SEMCAC
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 1,189,275	\$ 506,593
Accounts Receivable	405,736	382,579
Contributions and Grants Receivable	1,131,492	1,332,667
Co-op Patronage Receivable, Net	78,090	77,709
Notes Receivable, Net	102,278	109,720
Inventory	29,664	20,439
Prepaid Expenses	171,882	158,412
Property and Equipment, Net	3,730,161	1,796,678
Other Assets	-	12,500
	<u>\$ 6,838,578</u>	<u>\$ 4,397,297</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 261,668	\$ 425,218
Line of Credit	671,793	54,890
Accrued Expenses and Other Liabilities	656,828	498,571
Deferred Revenue	708,902	337,844
Note Payable	-	29,680
Cash Held for Fiscal Agent	66,491	60,778
Total Liabilities	<u>2,365,682</u>	<u>1,406,981</u>
NET ASSETS		
Net Assets Without Donor Restrictions	1,629,033	1,900,666
Net Assets With Donor Restrictions	2,843,863	1,089,650
Total Net Assets	<u>4,472,896</u>	<u>2,990,316</u>
Total Liabilities and Net Assets	<u>\$ 6,838,578</u>	<u>\$ 4,397,297</u>

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Grant and Contract Revenue	\$ 9,741,216	\$ 1,648,219	\$ 11,389,435
Contributions	175,257	147,463	322,720
Program Revenue	2,677,544	-	2,677,544
Fundraising	7,210	-	7,210
Interest Income	9,920	-	9,920
Other Income	94,422	-	94,422
In-Kind Contributions	134,205	-	134,205
Gain on Sale of Equipment	3,422	-	3,422
Net Assets Released from Restriction	41,469	(41,469)	-
Total Revenue, Support, and Gains	12,884,665	1,754,213	14,638,878
EXPENSES AND LOSSES			
Program Activities:			
Child Education Services	3,484,416	-	3,484,416
Older Americans	2,491,780	-	2,491,780
Energy Assistance	807,361	-	807,361
Community Services	834,188	-	834,188
Weatherization	1,613,252	-	1,613,252
Housing/Housing Assistance	471,817	-	471,817
Health	497,375	-	497,375
Food Assistance	329,558	-	329,558
Transportation	1,748,911	-	1,748,911
Total Program Activities	12,278,658	-	12,278,658
Management and General	814,840	-	814,840
Fundraising and Development	62,800	-	62,800
Total Expenses and Losses	13,156,298	-	13,156,298
CHANGE IN NET ASSETS	(271,633)	1,754,213	1,482,580
Net Assets - Beginning of Year	1,900,666	1,089,650	2,990,316
NET ASSETS - END OF YEAR	\$ 1,629,033	\$ 2,843,863	\$ 4,472,896

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Grant and Contract Revenue	\$ 9,368,484	\$ 135,228	\$ 9,503,712
Contributions	251,537	38,389	289,926
Program Revenue	2,949,600	-	2,949,600
Fundraising	4,774	-	4,774
Interest Income	9,256	-	9,256
Other Income	93,689	-	93,689
In-Kind Contributions	60,377	-	60,377
Net Assets Released from Restriction	124,068	(124,068)	-
Total Revenue, Support, and Gains	12,861,785	49,549	12,911,334
EXPENSES AND LOSSES			
Program Activities:			
Child Education Services	3,427,660	-	3,427,660
Older Americans	2,402,624	-	2,402,624
Energy Assistance	694,972	-	694,972
Community Services	726,372	-	726,372
Weatherization	1,634,021	-	1,634,021
Housing/Housing Assistance	350,136	-	350,136
Health	568,742	-	568,742
Food Assistance	261,619	-	261,619
Transportation	1,697,553	-	1,697,553
Total Program Activities	11,763,699	-	11,763,699
Management and General	750,206	-	750,206
Fundraising and Development	42,398	-	42,398
Total Expenses and Losses	12,556,303	-	12,556,303
CHANGE IN NET ASSETS	305,482	49,549	355,031
Net Assets - Beginning of Year	1,595,184	1,040,101	2,635,285
NET ASSETS - END OF YEAR	\$ 1,900,666	\$ 1,089,650	\$ 2,990,316

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program Services					Housing/ Housing Assistance
	Child Education Services	Older Americans	Energy Assistance	Community Services	Weatherization	
Direct Services	\$ 164,382	\$ 772,122	\$ 339,956	\$ 314,083	\$ 700,589	\$ -
Personnel	2,197,281	1,221,667	271,330	346,738	423,295	49,788
Payroll Taxes and Fringe Benefits	540,749	236,500	85,092	87,218	130,073	9,787
Contract Labor and Consultants	90,599	40,418	2,273	106	153,547	397,190
Travel and Transportation	50,214	35,057	2,287	6,873	15,311	2,688
Space Costs and Utilities	219,593	72,574	9,235	46,159	16,821	1,438
Consumable Supplies	92,792	57,038	29,532	11,937	42,392	1,033
Minor Equipment and Lease of Equipment	6,724	10,278	3,083	2,713	3,078	-
Depreciation	11,275	25,133	-	-	47,864	-
Other Costs	107,342	20,993	64,573	18,361	80,282	9,893
In-Kind Expenses	3,465	-	-	-	-	-
Total Expenses	\$ 3,484,416	\$ 2,491,780	\$ 807,361	\$ 834,188	\$ 1,613,252	\$ 471,817

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019

Program Services					Fundraising and Development	
Health	Food Assistance	Transportation	Total	Management and General	Development	Total
\$ 69,997	\$ 42,064	\$ 228,108	\$ 2,631,301	\$ 4,396	\$ 5	\$ 2,635,702
293,260	94,792	769,068	5,667,219	431,332	12,683	6,111,234
55,100	16,985	176,556	1,338,060	118,321	4,183	1,460,564
12,214	245	23,591	720,183	27,648	44,054	791,885
2,348	1,375	12,258	128,411	12,776	102	141,289
30,298	38,619	48,922	483,659	(11,811)	689	472,537
12,480	2,871	59,650	309,725	49,922	128	359,775
660	3,411	7,727	37,674	7,439	3	45,116
-	615	198,354	283,241	51,900	-	335,141
18,439	7,473	224,677	552,033	122,917	953	675,903
2,579	121,108	-	127,152	-	-	127,152
<u>\$ 497,375</u>	<u>\$ 329,558</u>	<u>\$ 1,748,911</u>	<u>\$ 12,278,658</u>	<u>\$ 814,840</u>	<u>\$ 62,800</u>	<u>\$ 13,156,298</u>

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services					Housing/ Housing Assistance
	Child Education Services	Older Americans	Energy Assistance	Community Services	Weatherization	
Direct Services	\$ 158,500	\$ 695,358	\$ 223,276	\$ 251,899	\$ 813,558	\$ 46,437
Personnel	2,150,014	1,160,716	284,996	311,628	410,719	83,154
Payroll Taxes and Fringe Benefits	566,469	235,335	86,559	86,418	124,908	15,239
Contract Labor and Consultants	81,747	30,279	3,464	279	56,877	185,487
Travel and Transportation	29,241	35,036	4,041	4,469	12,352	2,944
Space Costs and Utilities	215,468	60,068	8,282	41,209	20,537	3,273
Consumable Supplies	127,275	52,841	21,147	8,019	59,533	2,238
Minor Equipment and Lease of Equipment	13,198	30,633	-	4,286	30,207	-
Depreciation	11,275	16,975	-	-	40,744	-
Other Costs	72,110	85,383	63,207	18,165	64,586	11,364
In-Kind Expenses	2,363	-	-	-	-	-
Total Expenses	\$ 3,427,660	\$ 2,402,624	\$ 694,972	\$ 726,372	\$ 1,634,021	\$ 350,136

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2018

Program Services					Fundraising and Development	
Health	Food Assistance	Transportation	Total	Management and General	Development	Total
\$ 77,624	\$ 45,300	\$ 269,610	\$ 2,581,562	\$ 605	\$ -	\$ 2,582,167
289,285	90,400	785,374	5,566,286	415,590	28,735	6,010,611
57,016	17,129	185,946	1,375,019	125,563	8,733	1,509,315
10,625	-	5,979	374,737	46,899	92	421,728
3,768	1,028	30,506	123,385	3,908	1,588	128,881
28,268	40,490	55,017	472,612	(9,565)	1,463	464,510
9,425	2,001	21,203	303,682	32,838	515	337,035
835	-	-	79,159	8,024	15	87,198
-	615	125,707	195,316	59,435	-	254,751
91,396	7,141	218,211	631,563	66,909	1,257	699,729
500	57,515	-	60,378	-	-	60,378
<u>\$ 568,742</u>	<u>\$ 261,619</u>	<u>\$ 1,697,553</u>	<u>\$ 11,763,699</u>	<u>\$ 750,206</u>	<u>\$ 42,398</u>	<u>\$ 12,556,303</u>

See accompanying Notes to Financial Statements.

SEMCAC
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,482,580	\$ 355,031
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	335,141	254,751
Provision for Uncollectible Co-op Patronage Receivable	(1,106)	527
Change in Discount on Co-op Patronage Receivable	(2,293)	166
Contribution of Forgiven Debt Payments	(29,680)	(29,680)
Gain on Sale of Other Assets	(3,422)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(23,157)	3,872
Contributions and Grants Receivable	201,175	(263,337)
Co-op Patronage Receivable, Net	3,018	(2,088)
Inventory	(9,225)	500
Prepaid Expenses	(13,470)	3,284
Accounts Payable	(163,550)	202,395
Accrued Expenses and Other Liabilities	158,257	14,167
Deferred Revenue	371,058	(37,800)
Cash Held for Fiscal Agent	5,713	(8,662)
Net Cash Provided by Operating Activities	2,311,039	493,126
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Note Receivable	7,442	6,878
Proceeds from Sales of Other Assets	15,922	-
Purchases of Property and Equipment	(2,268,624)	(786,081)
Net Cash Used by Investing Activities	(2,245,260)	(779,203)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (Payments) on Line of Credit	616,903	(100,010)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	682,682	(386,087)
Cash and Cash Equivalents - Beginning of Year	506,593	892,680
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,189,275	\$ 506,593
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Forgiveness of Debt	\$ 29,680	\$ 29,680

See accompanying Notes to Financial Statements.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Semcac (the Organization) was organized as a nonprofit corporation in 1966. The Organization was formed to develop and provide a variety of health, education, housing, and human service programs for low-income citizens in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona counties in Minnesota. The Organization is primarily supported through federal and state government grants.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.

Accounts Receivable

Accounts receivable consist primarily of amounts billed under performance contracts related to senior, weatherization, and family planning programs. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. The Organization considers all receivables to be collectible and, therefore, no allowance has been recorded. If an amount becomes delinquent after all collection efforts have failed, the account is written off.

Contribution and Grants Receivable

The Organization records unconditional promises to give expected to be collected within one year at net realizable value. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

At September 30, 2019 and 2018, the Organization considers all contributions and grants to be collectible and, therefore, no allowance has been recorded. All contribution and grants receivable are expected to be collected within one year.

Co-op Patronage Receivable

The Organization is a member of a telephone co-operative company (the Co-op). As a member, the Organization receives a patronage dividend from the Co-op. The Co-op's current dividend policy is to pay 10% of current profits and 90% of the profits earned 10 years ago. This dividend policy is to allow the Co-op to maintain sufficient operating cash flow. The Co-op reserves the right to change the dividend policy. The Organization has recorded a receivable based on the projected dividends attributed by the Co-op to the Organization. The receivable has been recorded at the present value of the allocated profits discounted at 5% over 10 years. The Organization has elected to record an uncollectible allowance of \$48,109 and \$47,003 as of September 30, 2019 and 2018, respectively, due to the uncertainty of the future patronage dividend.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Co-op Patronage Receivable (Continued)

The cumulative Co-op patronage receivable at September 30 is as follows:

	2019	2018
Co-op Patronage Receivable	\$ 162,914	\$ 159,134
Allowance for Uncollectible Receivable	(48,109)	(47,003)
Expected Co-op Patronage Receivable	114,805	112,131
Discounted at 5%	(36,715)	(34,422)
Net Co-op Patronage Receivable	<u>\$ 78,090</u>	<u>\$ 77,709</u>

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment purchased with grant funds are owned by the Organization while used in the programs for which it was 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. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds is normally restricted by the funding source for use in specific programs operated by the Organization. The Organization has adopted a policy of implying a time restriction on assets purchased with grant contributions. Grant funded property and equipment are recorded as restricted support. As the property and equipment are depreciated, net assets with donor restrictions are released from restriction and reported in the statement of activities as net assets released from restriction.

Cash Held for Fiscal Agent

The Organization acts as the fiscal agent for the Bluff Country Minnesota Multi-County Housing and Redevelopment Authority, Inc. Cash held for fiscal agent are funds held by the Organization for the other nonprofit organization.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets 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.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions of the restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable grants and contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

In-Kind Contributions

In-kind contributions for space and professional services are recorded in the statement of activities and recognized as revenue and expenses in the period they are received. During the years ended September 30, 2019 and 2018, the Organization received \$127,152 and \$60,377 of such contributions for its child education, health and food shelf programs, respectively. During 2019, the Organization also received a donation of professional services in relation to the construction of a new transportation facility valued at \$7,053. In addition, the Organization received contributions of nonprofessional volunteer services during the year with a fair value of \$299,533 and \$133,176 for its senior dining program, which are not recognized in the financial statements for the years ended September 30, 2019 and 2018, respectively.

Advertising Costs

Advertising costs are expensed as incurred and were \$83,469 and \$89,573 during the years ended September 30, 2019 and 2018, respectively.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The Organization utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs, which are common to more than one program, have been identified and classified into cost pools. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs being allocated include personnel, payroll taxes and fringe benefits, contract labor and consultants, travel and transportation, space costs and utilities, consumable supplies, depreciation, and other costs. Costs are allocated based on direct labor hours and square footage.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been reflected in these financial statements.

The Organization has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions and has determined that it has no uncertain tax positions as of September 30, 2019 and 2018.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 and those differences could be material.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and as adjusted the presentation in these financial statements accordingly.

Subsequent Events

We have evaluated subsequent events through May 5, 2020, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. One of the banks has pledged securities for the Organization's cash balances with market values of \$718,459 and \$708,527 at September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, there were no amounts in excess of FDIC and collateral coverage.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an Organization's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

The Organization had no assets or liabilities measured at fair value on a recurring or nonrecurring basis at September 30, 2019 and 2018.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 NOTES RECEIVABLE

The Organization is the nonprofit sponsoring agency for an AHP \$100,000 subsidy from the Federal Home Loan Bank of Des Moines. The subsidy was for the construction of 20 affordable housing units for income eligible participants. Four of the units must be available to participants at or below 50% of the median income and 16 of the units must be available to participants between 51% and 60% of the median income for Fillmore County. The affordability period for the units must be maintained for 15 years, which expired in 2014.

The Organization loaned the funds to the project owner, Rushford Housing Limited Partnership. The loan agreement calls for interest at 1% per year with the interest and principal repaid in monthly installments of \$598 beginning on January 1, 2015 through December 31, 2029. The balance of the note at September 30, 2019 and 2018 was \$69,881 and \$76,323, respectively. Collection is fully expected and, accordingly, no allowance has been recorded.

The Organization also has a note receivable from Semcac Housing-Rushford Inc., a related party. The note has no interest rate and is due on November 1, 2061, or when the project is sold, whichever occurs first. The balance of the note at September 30, 2019 and 2018 was \$32,397 and \$33,397, respectively. Collection is fully expected and, accordingly, no allowance has been recorded.

NOTE 5 PROPERTY AND EQUIPMENT

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

	Unrestricted Property	Grant Award Property	Total
Land	\$ 256,335	\$ -	\$ 256,335
Buildings and Improvements	1,925,735	1,821,048	3,746,783
Equipment	316,849	1,605,780	1,922,629
Total	<u>2,498,919</u>	<u>3,426,828</u>	<u>5,925,747</u>
Less: Accumulated Depreciation	935,025	1,260,561	2,195,586
Total Property and Equipment	<u>\$ 1,563,894</u>	<u>\$ 2,166,267</u>	<u>\$ 3,730,161</u>

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

	Unrestricted Property	Grant Award Property	Total
Land	\$ 256,335	\$ -	\$ 256,335
Buildings and Improvements	1,235,609	-	1,235,609
Equipment	321,616	1,579,345	1,900,961
Construction in Process	423,934	-	423,934
Total	<u>2,237,494</u>	<u>1,579,345</u>	<u>3,816,839</u>
Less: Accumulated Depreciation	880,458	1,139,703	2,020,161
Total Property and Equipment	<u>\$ 1,357,036</u>	<u>\$ 439,642</u>	<u>\$ 1,796,678</u>

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 6 LINES OF CREDIT

The Organization entered into a construction loan on August 3, 2018, which is secured by real estate of the Organization. The borrowing capacity was originally \$600,000 and increased to \$700,000 on June 11, 2019. The loan has multiple payment streams. The first stream requires monthly payments of interest at 5.75% through November 30, 2019. The second stream requires monthly payments of principal and interest of \$5,086 with interest at 5.75% through June 30, 2028. The final payment of principal and interest is due on July 30, 2028. The outstanding balance of the loan was \$488,798 and \$31,997 at September 30, 2019 and 2018.

The Organization entered into an additional construction loan on August 3, 2018, which is the secured by real estate of the Organization. The original borrowing capacity of this loan was \$1,852,000 and decreased to \$321,314 on June 11, 2019. The interest rate of the loan is 5.25% and requires monthly interest payments through November 30, 2019 at which time the full outstanding balance of the loan is due. The outstanding balance of the loan was \$182,995 and \$22,893 at September 30, 2019 and 2018.

On February 13, 2020, both loans were combined and converted to a term loan. The new loan has an interest rate of 4.75%. The loan requires monthly payments of principle and interest of \$4,258 through July 10, 2028, with a remaining unpaid principal and interest due on July 30, 2028.

NOTE 7 NOTE PAYABLE

The Organization entered into a loan agreement dated June 18, 2009, with the city of Rushford for \$331,203. A total amount of \$82,801 was repayable at a 1% interest rate and was paid in full on May 25, 2012. The remaining amount of \$248,402 is to be forgiven over a period of five years after the initial five-year term of the loan if the property remains unsold. No interest is to be applied to this portion of the loan. The outstanding balance of the loan at September 30, 2019 and 2018 was \$-0- and \$29,680, respectively.

NOTE 8 LEASES

The Organization leases various facilities and equipment for operation of its programs primarily under cancellable leases.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 275,506
2021	166,167
2022	68,868
2023	62,835
2024	60,780
Thereafter	4,000
Total Minimum Lease Payments	<u><u>\$ 638,156</u></u>

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 8 LEASES (CONTINUED)

Rent expense for the years ended September 30, 2019 and 2018 totaled \$316,310 and \$299,583, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Grant-Funded Equipment	\$ 2,166,267	\$ 439,642
Housing Funds	221,542	221,542
Patronage Dividends	78,090	77,709
Food Programs	293,428	331,049
Senior Programs	38,819	-
Community Services	10,907	10,907
MnDOT Reserve	34,810	8,801
Total Temporarily Restricted Net Assets	<u>\$ 2,843,863</u>	<u>\$ 1,089,650</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30:

	2019	2018
Housing Funds	\$ -	\$ 4,483
Food Programs	41,469	35,833
Senior Programs	-	53,984
MnDOT Reserve	-	29,768
Total	<u>\$ 41,469</u>	<u>\$ 124,068</u>

NOTE 10 RETIREMENT PLAN

The Organization has a defined contribution retirement plan authorized under Section 401(k) of the Internal Revenue Code. The plan is open to all employees who have been employed by the Organization for one year, work a minimum of 800 hours, and are at least 21 years of age. Participants become fully vested after five years of service. The Organization's contributions are determined at the discretion of the board of directors. The employer contribution for the years ended September 30, 2019 and 2018, was a matching contribution of up to 4% of eligible employee gross wages. Employer contributions for the years ended September 30, 2019 and 2018 were \$124,471 and \$131,466, respectively.

SEMCAC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 RESTRICTED CASH

The Organization has classified as restricted the following cash balances that are not available for use in its operations for the years ended September 30:

	2019	2018
Cash Held as Fiscal Agent	\$ 66,491	\$ 60,778
Transportation Reserve	34,810	8,801
Total	\$ 101,301	\$ 69,579

NOTE 12 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program-related activities as well as the conduct of services undertaken to support those programs to be general expenditures.

As of September 30, 2019 and 2018, the following financial assets could be readily made available within one year of the balance sheet date to meet general expenditures:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,189,275	\$ 506,593
Accounts Receivable	405,736	382,579
Contributions and Grants Receivable	1,131,492	1,332,667
Notes Receivable, Net	102,278	109,720
Total Financial Assets at Year-End	2,828,781	2,331,559
Less: Amounts Not Available to Meet General Expenditures Within One Year:		
Cash Held As Fiscal Agent	(66,491)	(60,778)
Long-Term Portion of Notes Receivable	(95,771)	(103,278)
Donor-Restricted, Less: Grant Funded Property and Equipment	(677,596)	(650,008)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 1,988,923	\$ 1,517,495

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**INDEPENDENT AUDITORS' 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
Semcac
Rushford, Minnesota

We have audited, in accordance with the 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 financial statements of Semcac (the Organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

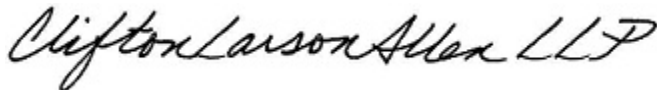
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
May 5, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Semcac
Rushford, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Semcac's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Semcac's major federal programs for the year ended September 30, 2019. Semcac's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Semcac's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Semcac's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Semcac's compliance.

Opinion on Each Major Federal Program

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

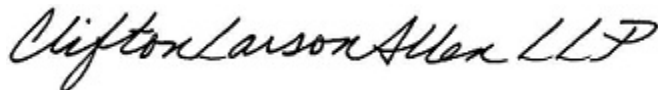
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
May 5, 2020

SEMCAC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture			
Pass-Through Minnesota Department of Education			
Noncash Assistance (Commodities):			
Child & Adult Food Program	10.558	2MN300061	\$ 135,639
Total Noncash Assistance and total CFDA 10.558			\$ 135,639
Pass-Through Minnesota Department of Human Services			
Cash Assistance:			
Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	GRK% 133143	25,000
Total Cash Assistance and total SNAP Cluster			25,000
Total Department of Agriculture			160,639
Department of Housing and Urban Development			
Pass-Through Minnesota Department of Economic Development			
Small Cities Grant - LaCrescent	14.228	CDAP-16-0034-0-FY17	11,042
Small Cities Grant - LeRoy	14.228	CDAP-15-0035-0-FY16	10,090
Small Cities Grant - Houston	14.228	CDAP-16-0030-0-FY17	13,247
Small Cities Grant - Caledonia	14.228	CDAP-17-0030-0-FY18	5,987
Total CFDA 14.228			40,366
Pass-Through Minnesota Department of Human Services			
Emergency Shelter Grant (ESGP) - 2019	14.231	GRK% 126925/3000053491	16,324
Emergency Shelter Grant (ESGP) - 2020	14.231	GRK% 160325/3000070284	7,328
Total CFDA 14.231			23,652
Pass-Through Three Rivers Community Action, Inc.			
HUD SHP RHASP - 2018	14.267	MN0065L5K021710	13,480
HUD SHP RHASP - 2019	14.267	MN0065L5K021811	11,127
Total CFDA 14.267			24,607
Total Department of Housing and Urban Development - Cash Assistance			88,625
Department of Transportation			
Pass-Through Minnesota Department of Transportation			
Transportation Program - 2018	20.509	1029480	115,184
Transportation Program - 2019	20.509	1032533	170,363
Total Department of Transportation - Cash Assistance and Total CFDA 20.509			285,547
Department of Energy			
Pass-Through Minnesota Department of Commerce			
DOE/WX - 2019	81.042	141984/108078	582,979
DOE/WX - 2020	81.042	157646/12155	60,404
Total CFDA 81.042			643,383
Total Department of Energy - Cash Assistance			643,383
Department of Health and Human Services			
Aging Cluster:			
Pass-Through Southeastern Minnesota Area Agency on Aging, Inc.			
Nonncash Assistance (Commodities):			
Nutrition Services Incentive Program - 2018	93.053	310-18-03C1-001	31,293
Nutrition Services Incentive Program - 2019	93.053	310-19-03C1-001	90,073
Nutrition Services Incentive Program - 2018	93.053	310-18-03C2-001	10,531
Nutrition Services Incentive Program - 2019	93.053	310-19-03C2-001	25,576
Total Noncash Assistance and Total CFDA 93.053			157,473

SEMCAC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services (Continued)			
Pass-Through Southeastern Minnesota Area Agency on Aging, Inc.			
Aging Cluster:			
Cash Assistance:			
Title III SEMAA 2018	93.044	310-18-003B-052	\$ 18,172
Title III SEMAA 2019	93.044	310-19-003B-052	52,242
Total CFDA 93.044			<u>70,414</u>
Congregate Dining - 2018	93.045	310-18-03C1-001	128,465
Congregate Dining - 2019	93.045	310-19-03C1-001	385,248
Home Delivered Meals - 2018	93.045	310-18-03C2-001	109,933
Home Delivered Meals - 2019	93.045	310-19-03C2-001	142,368
Total CFDA 93.045			<u>766,014</u>
Total Aging Cluster			\$ 993,901
Caregiver Advocate - 2018	93.052	310-18-003E-004	13,750
Caregiver Advocate - 2019	93.052	310-19-003E-004	43,314
Total CFDA 93.052			<u>57,064</u>
TANF Cluster:			
MN Prairie Care Repair	93.558	23700	76,914
Temporary Assistance for Needy Families (TANF) Cluster	93.558	2017G996115	35,204
Total CFDA 93.558 and total TANF Cluster			<u>112,118</u>
Pass-Through Planned Parenthood of Minnesota/North Dakota/South Dakota			
Title X PPMNS - 2018	93.217	1 FPHPA006454-01-00	70,458
Total Pass-Through Planned Parenthood of Minnesota/North Dakota/ South Dakota			70,458
Pass-Through Minnesota Department of Commerce			
EAP/WX CO - 2018 A2019	93.568	141984/100878	288,425
EAP/WX CO2 - 2019 A2019	93.568	157646/12155	205,686
EAP/WX CO - 2019 A2110	93.568	157646/12155	9,694
Energy Assistance	93.568	165632/12672	835,443
Total Pass-Through Minnesota Department of Commerce and Total CFDA 93.568			<u>1,339,248</u>
Pass-Through Minnesota Department of Human Services -- 477 Cluster			
CSBG - Discretionary Dodge	93.569	GRK%127534	4,214
CSBG - 2019	93.569	GRK%127534	362,238
Total Pass-Through Minnesota Department of Human Services, Total CFDA 93.569, and Total 477 Cluster			<u>366,452</u>
Pass-Through Minnesota Department of Education			
Early Head Start Child Care Partnership 19	93.600	05HP0014/01	24,647
Early Head Start Child Care Partnership 20	93.600	05HP000416	8,589
Head Start - 2019 (direct received)			
Head Start - 2020 (direct received)	93.600	05CH8379-05-05	1,888,282
Total CFDA 93.600			<u>660,275</u>
Total Department of Health and Human Services			<u>2,581,793</u>
			5,521,034
Department of Homeland Security			
Pass-Through EFASP National Board			
Emergency Food & Shelter Program - 2019	97.024	485918	6,120
Total Department of Homeland Security - Cash Assistance			<u>6,120</u>
Total Expenditures of Federal Awards			<u>\$ 6,705,348</u>

** Agency or Pass-Through Number is Unavailable

See Notes to Schedule of Expenditures of Federal Awards.

SEMCAC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Semcac (the Organization) under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, activities and changes in net assets, and cash flows of the Organization.

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. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENT PAYMENTS, NONCASH ASSISTANCE, INSURANCE, AND LOANS OR LOAN GUARANTES

The purpose of the schedule of expenditures of federal awards is to present a summary of the Organization's federal grant activity. The Organization did not provide any federal awards to subrecipients for the year ended September 30, 2019.

**SEMCAC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Part I: Summary of the Independent Auditors' Results:

Financial Statements

- | | | |
|---|------------|-----------------------|
| 1. Type of auditors' report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | ___x___ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | ___x___ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | ___x___ no |

Federal Awards

- | | | |
|---|------------|-----------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | ___x___ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | ___x___ none reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | ___x___ no |

Identification of Major Federal Programs

U.S. Department of Energy: Weatherization	CFDA #81.042
U.S. Department of Health and Human Services: Low Income Home Energy Assistance	CFDA #93.568

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