

**NORTHEAST SOUTH DAKOTA
COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2019

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota**

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*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast South Dakota Community Action Program, Inc.
dba GROW South Dakota
Sisseton, South Dakota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Northeast South Dakota Community Action Program dba GROW South Dakota (a nonprofit organization, hereafter referred to as NESDCAP)**, which comprise the consolidated statement of financial position as of September 30, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements are free from material misstatement.

Madison Office	205 North Egan Avenue	PO Box 505	Madison, SD 57042	605.256.9165
Yankton Office	207 Douglas Avenue	PO Box 1018	Yankton, SD 57078	605.665.4401
Sioux Falls Office	507 West 10 th Street	PO Box 876	Sioux Falls, SD 57101	605.336.0372

Toll Free: 1-800-456-0889

email: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPAs, South Dakota Society of CPAs



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited NESDCAP's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules per location and schedules for NeighborWorks America are presented for additional analysis and are not a required part of the consolidated financial statements. 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*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2020, on our consideration of NESDCAP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 NESDCAP'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 NESDCAP's internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
January 3, 2020

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 3,854,373	\$ 98,446	\$ 3,952,819	\$ 2,925,206
Receivable from affiliate	97,576	-	97,576	83,155
Other receivables	5,653	1,744	7,397	10,058
Current portion of notes receivable, net of allowance for loan losses of \$4,011 in 2019 and \$6,098 in 2018	72,335	3,281	75,616	115,035
Grant receivable	12,000	174,401	186,401	156,680
Accrued interest receivable	11,377	-	11,377	13,403
Prepaid expenses	15,516	-	15,516	17,266
Total current assets	<u>4,068,830</u>	<u>277,872</u>	<u>4,346,702</u>	<u>3,320,803</u>
LONG-TERM RECEIVABLES:				
Notes receivable, less allowance for loan losses of \$220,236 in 2019 and \$249,485 in 2018 and current maturities	3,728,979	335,851	4,064,830	4,605,367
Total long-term receivables	<u>3,728,979</u>	<u>335,851</u>	<u>4,064,830</u>	<u>4,605,367</u>
OTHER ASSETS:				
Investments	-	13,625	13,625	13,625
Property and equipment, net	219,493	-	219,493	263,369
Cash, reserve for replacement of property	-	17,689	17,689	12,684
Total other assets	<u>219,493</u>	<u>31,314</u>	<u>250,807</u>	<u>289,678</u>
Total Assets	<u>\$ 8,017,302</u>	<u>\$ 645,037</u>	<u>\$ 8,662,339</u>	<u>\$ 8,215,848</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 13,135	\$ 55,581	\$ 68,716	\$ 76,491
Accrued expenses	285,082	-	285,082	261,321
Security deposits	5,633	-	5,633	5,347
Unearned revenue	-	60,025	60,025	75,533
Current portion of notes payable	7,801	-	7,801	7,614
Total current liabilities	<u>311,651</u>	<u>115,606</u>	<u>427,257</u>	<u>426,306</u>
LONG-TERM LIABILITIES				
Notes payable, less current maturities	1,499,967	21,075	1,521,042	1,528,848
Total long-term liabilities	<u>1,499,967</u>	<u>21,075</u>	<u>1,521,042</u>	<u>1,528,848</u>
Total Liabilities	<u>1,811,618</u>	<u>136,681</u>	<u>1,948,299</u>	<u>1,955,154</u>
NET ASSETS				
With donor restrictions - permanently designated	-	414,617	414,617	592,310
With donor restrictions	-	93,739	93,739	88,099
Without donor restrictions	6,205,684	-	6,205,684	5,580,285
Total Liabilities and Net Assets	<u>6,205,684</u>	<u>508,356</u>	<u>6,714,040</u>	<u>6,260,694</u>
Total Liabilities and Net Assets	<u>\$ 8,017,302</u>	<u>\$ 645,037</u>	<u>\$ 8,662,339</u>	<u>\$ 8,215,848</u>

The accompanying notes are an integral part
of these financial statements.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:				
Grant income	\$ 651,700	\$ 1,506,672	\$ 2,158,372	\$ 2,254,254
Interest income	188,311	-	188,311	200,630
Rent income	86,740	-	86,740	62,025
Housing fee income	40,676	1,814	42,490	52,656
Miscellaneous income	32,565	12,758	45,323	78,155
Gain (loss) on the disposal of property & equipment	1,246	-	1,246	572
Provision for valuation allowance - investments	-	-	-	(3,200)
	<u>1,001,238</u>	<u>1,521,244</u>	<u>2,522,482</u>	<u>2,645,092</u>
EXPENSES				
PROGRAM SERVICES:				
Weatherization	641,630	-	641,630	662,220
Business development	214,422	-	214,422	208,649
Self sufficiency	2,497	-	2,497	38,673
Housing improvement	742,514	-	742,514	603,640
Emergency assistance	171,987	-	171,987	149,852
	<u>1,773,050</u>	<u>-</u>	<u>1,773,050</u>	<u>1,663,034</u>
SUPPORTING SERVICES:				
Management and general	296,086	-	296,086	274,065
	<u>296,086</u>	<u>-</u>	<u>296,086</u>	<u>274,065</u>
Total Expenses	<u>2,069,136</u>	<u>-</u>	<u>2,069,136</u>	<u>1,937,099</u>
Reclassification of Net Assets:				
Released in satisfaction of purpose	1,520,609	(1,520,609)	-	-
Reserve deposits required by grantor agency	(5,005)	5,005	-	-
Permanent designation released by grantor agency	177,693	(177,693)	-	-
	<u>1,693,297</u>	<u>(1,693,297)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	625,399	(172,053)	453,346	707,993
Net Assets, Beginning of Year	<u>5,580,285</u>	<u>680,409</u>	<u>6,260,694</u>	<u>5,552,701</u>
Net Assets, End of Year	<u>\$ 6,205,684</u>	<u>\$ 508,356</u>	<u>\$ 6,714,040</u>	<u>\$ 6,260,694</u>

The accompanying notes are an integral part
of these financial statements.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	2019						Supporting Services	Total Expenses	
	Program Services								
	Weatherization	Business Development	Self Sufficiency	Housing	Emergency Assistance	Total		Administrative and General	2019
Salaries	\$ 115,977	\$ 141,724	\$ 2,116	\$ 306,074	\$ 46,320	\$ 612,211	\$ 185,195	\$ 797,406	\$ 685,895
Materials	226,506	-	-	50,237	-	276,743	-	276,743	235,567
Contractual	177,711	-	-	51,330	-	229,041	-	229,041	261,476
Milbank 16 Plex Expenses	-	-	-	111,654	-	111,654	-	111,654	100,834
Other Program Expenses	183	2,507	-	28,440	67,534	98,664	4,233	102,897	118,894
Employee benefits	9,611	15,261	7	23,418	4,726	53,023	17,426	70,449	64,882
Payroll taxes	8,924	10,354	162	22,133	3,474	45,047	13,875	58,922	50,888
Insurance	23,152	2,868	-	7,007	7,427	40,454	11,213	51,667	52,809
Repairs and maintenance	26,431	4,381	201	9,333	3,339	43,685	5,040	48,725	48,147
Travel Expenses	6,898	6,015	11	31,160	1,429	45,513	2,157	47,670	50,514
Retirement	5,543	13,897	-	13,122	2,973	35,535	11,274	46,809	34,535
Utilities	14,828	2,368	-	4,735	6,130	28,061	12,523	40,584	38,489
Supplies	236	2,246	-	25,389	3,359	31,230	5,071	36,301	25,806
Rent Expense	4,904	7,154	-	6,657	5,317	24,032	11,968	36,000	36,000
Training	2,124	2,088	-	19,652	97	23,961	147	24,108	26,314
Professional Fees	6,479	1,329	-	4,207	3,441	15,456	5,194	20,650	18,468
Interest Expense	-	-	-	19,956	-	19,956	-	19,956	20,000
Food Commodities Used	-	-	-	-	13,911	13,911	-	13,911	17,738
Marketing	93	14	-	13,283	36	13,426	54	13,480	4,490
Program Supplies	11,218	440	-	-	-	11,658	-	11,658	13,633
Telephone	115	1,238	-	2,014	1,631	4,998	2,463	7,461	8,394
Depreciation	-	-	-	-	-	-	6,981	6,981	6,981
Memberships	27	348	-	3,047	384	3,806	579	4,385	2,589
Postage	32	190	-	1,237	459	1,918	693	2,611	2,455
Equipment Purchased	638	-	-	-	-	638	-	638	2,780
Bad Debt Expense (recoveries)	-	-	-	(11,571)	-	(11,571)	-	(11,571)	8,521
	<u>\$ 641,630</u>	<u>\$ 214,422</u>	<u>\$ 2,497</u>	<u>\$ 742,514</u>	<u>\$ 171,987</u>	<u>\$ 1,773,050</u>	<u>\$ 296,086</u>	<u>\$ 2,069,136</u>	<u>\$ 1,937,099</u>

The accompanying notes are an integral part
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NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	2019	2018
Cash Flows From Operating Activities		
Increase in net assets	\$ 453,346	\$ 707,993
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	43,876	44,509
(Recoveries) provision for the allowance for loan losses	(11,571)	8,521
Value of commodities used	(13,911)	(17,738)
Provision for valuation allowance - investments	-	3,200
(Gain) on sale of property and equipment	(1,246)	(572)
Value of commodities received	13,911	17,738
Changes in operating assets and liabilities		
(Increase) decrease in:		
Receivables from affiliate	(14,421)	(4,559)
Other receivables	2,661	(9,232)
Grants receivable	(29,721)	192,673
Accrued interest receivable	2,026	222
Prepaid expenses	1,750	-
Increase (decrease) in:		
Accounts payable	(7,775)	9,629
Accrued expenses	23,761	47,539
Security deposits	286	1,672
Unearned revenue	(15,508)	(527)
Net cash provided by operating activities	447,464	1,001,068
Cash Flows From Investing Activities		
Change in funded account for replacement of property	(5,005)	12,176
Net decrease (increase) in notes receivable	591,527	(84,532)
Purchase of property and equipment	-	(20,592)
Proceeds from investment dividend	-	4,250
Proceeds from the sale of property and equipment	1,246	572
Net cash provided by (used in) investing activities	587,768	(88,126)
Cash Flows From Financing Activities		
Proceeds received from issuance of notes payable	-	120,186
Principal payments on notes payable	(7,619)	(127,001)
Net cash (used in) financing activities	(7,619)	(6,815)
Change in Cash and Cash Equivalents	1,027,613	906,127
Cash and Cash Equivalents:		
Beginning	2,925,206	2,019,079
Ending	\$ 3,952,819	\$ 2,925,206
Supplemental Disclosures		
Cash payments for:		
Interest	\$ 28,126	\$ 28,322
Reconciliation of Cash to the Balance Sheet		
Cash and cash equivalents - Without Donor Restrictions	\$ 3,854,373	\$ 2,794,261
Cash and cash equivalents - With Donor Restrictions	98,446	130,945
	\$ 3,952,819	\$ 2,925,206

The accompanying notes are an integral part
of these financial statements.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

The Northeast South Dakota Community Action Program, Inc. (NESDCAP) was incorporated in 1966 as a not-for-profit corporation. In 2012, NESDCAP underwent a branding campaign and is now doing business as GROW South Dakota in combination with the Northeast South Dakota Economic Corporation (NESDEC) and GROW South Dakota.

NESDCAP operates under a Board of Directors selected from the geographical area below. NESDCAP was formed to reduce poverty, revitalize low-income communities, and empower low-income individuals and families to become self-sufficient. The Corporation develops and administers programs to be participated in by the low-income residents of Marshall, Roberts, Day, Faulk, Hand, Spink, Beadle, Brown, Edmunds, McPherson, Campbell, Potter, Walworth, Sully, Hyde, Hughes and Stanley counties. The Corporation is at all times responsible for the needs of low-income residents and services as an advocate and vehicle for low-income interest and concerns in the geographic service area.

NESDCAP formed Milbank Apartments, LLC for the purpose of acquiring a sixteen-unit rental housing complex in Milbank, South Dakota.

Principles of Consolidation

The consolidated financial statements of NESDCAP are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The consolidated financial statements include the operations of NESDCAP and its wholly-owned subsidiary, Milbank Apartments, LLC.

Basis of Presentation

NESDCAP is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NESDCAP's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

For financial statement reporting purposes, NESDCAP includes all cash accounts not subject to withdrawal restrictions or penalties, treasury bills, commercial paper and money market funds with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

Foreclosed Property

Real estate and other properties acquired through or in lieu of full or partial settlement of loan obligations are referred to as foreclosed property and initially recorded at the fair value less estimated selling cost at the date of foreclosure. Fair value of the property acquired is measured against the recorded investment of the loan. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Receivables and Credit Policies

Notes receivable are stated at principal amounts plus accrued interest and are collateralized. Payments on notes receivable that are received after a 10-day grace period are assessed a delinquency fee. Due to the uncertainty regarding collection, delinquency fees are recognized as income when received.

A note receivable is considered delinquent when the debtor has missed two or more payments. Loans placed on non-accrual status are determined by the board of directors. Interest resumes when principal on non-accrual status loans has been paid current. Management reviews the status of the past due notes and collection proceedings begin as management deems necessary.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Receivables and Credit Policies, continued

Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Interest income is recognized when due.

The carrying amount of loan receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all notes receivable and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management reviews notes and based upon various factors including collectability, collateral and ability to make payments to the aggregate remaining loan receivables to estimate a general allowance covering those amounts. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance.

A loan is considered to be impaired when, based on current information and events, it is probable that NESDCAP will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

If a fair value is not readily determinable, investments are recorded at cost, net of the valuation allowance.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measurements

Inputs to the fair value methodology include:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. Level 2 Inputs include the following:

- Quoted prices for similar Assets or Liabilities in active markets;
- Quoted prices for similar Assets or Liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs)

If the asset or liability has a specified (or contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 Inputs are unobservable inputs for the asset or liability.

Investments in equity securities without a readily determinable fair value are stated at cost, net of the valuation allowance. NESDCAP periodically reviews these securities for possible impairment to determine the level of the valuation allowance.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment is valued at estimated fair value on the date donated and are reported as contributions without donor restrictions when placed in service unless the donor has restricted the use for the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period. If the donor requires property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor required property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the period required.

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment, continued

Costs in excess of \$10,000 for improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Costs for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided for over the estimated useful lives of the individual assets using either the straight-line method or the double declining balance method. The estimated useful lives used in the computation of depreciation are as follows:

	<u>Years</u>
Office equipment	5-7
Equipment	5-7
Vehicles	5
Buildings and improvements	7-27

Reserve for Replacements

Milbank Apartment, LLC is required to make a monthly deposit in an escrow account established by the mortgage holder. These funds are to provide a reserve for replacement of property.

Compensated Absences

Vacation and sick leave are accumulated by employees throughout the year. Employees are entitled to receive compensation for unused amounts upon termination. Those amounts have been included in accrued expenses on the financial statements.

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-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for property and equipment replacement.

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

1. NATURE OF ACTIVITIES 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 or grantor-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 or grantor. Other donor or grantor-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 the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor or grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Revenue and Other Support

NESDCAP's revenue and other support is recognized when received or unconditionally pledged and is recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor or grantor-imposed restrictions. Revenue and support that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the support and revenue are recognized and are reclassified as net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Permanently Designated Support

NeighborWorks America released \$177,693 from restrictions during the year ended September 30, 2019. Grants received in prior years are considered net assets with donor restrictions - permanently designated, although proceeds on capital projects or interest earned over and above the corpus may be transferred to net assets without donor restrictions for furthering NESDCAP's mission. However, should NESDCAP become non-operational, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital project portfolios representing the use of these funds will revert to NeighborWorks America.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program activities and supporting services benefited.

Estimates

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

Fund Raising Activity

NESDCAP does not maintain a formal fund raising or solicitation department. Currently, it does not conduct fund raising campaigns, door-to-door solicitations, telethons, mass mailings or special fund raising events. The program directors do, however, compile data and applications necessary to renew and obtain new grants. NESDCAP does not track costs associated with this activity, but believes the time and cost for this activity represents a very small percentage of the program directors' time. Accordingly, fund raising expense is not segregated and presented in the financial statements unless specifically required by and reported under grantor guidelines.

Advertising

NESDCAP expenses the costs of advertising as incurred.

Income Tax Status

NESDCAP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. NESDCAP's property management and weatherization programs have for-profit divisions which are subject to tax on unrelated business income. NESDCAP recognizes any material cash liabilities as required. In addition, NESDCAP qualifies for the charitable contribution deduction under Section 170(b)(10)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

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 Statements 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. NESDCAP has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. LIQUIDITY AND AVAILABILITY

NESDCAP regularly monitors liquidity required to meet its operation needs and strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, NESDCAP considers contributions restricted for programs which are ongoing, major, and central to its annual operations, as well as the conduct of services undertaken to support those activities to be general expenditures. Note Receivables made without donor restrictions are not included in the analysis as principal on these loans are used to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, NESDCAP anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Financial assets available for general expenditure within one year of the statement of financial position date comprise of the following:

Cash and Cash Equivalents	\$ 3,854,373
Grants Receivable	186,401
Prepaid Assets	15,516
Accrued Interest	11,377
Other Receivables	<u>104,973</u>
	<u>\$ 4,172,640</u>

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3. CUSTODIAL CREDIT RISK – DEPOSITS

NESDCAP maintains its bank deposits in several financial institutions. At various times during 2019, NESDCAP's deposits were in excess of the amount insured (up to \$250,000 per financial institution) by the Federal Deposit Insurance Corporation (FDIC). NESDCAP utilizes a sweep account relationship with one financial institution. On a daily basis, balances in excess of \$250,000 are transferred to other financial institutions to ensure all funds are fully insured. At September 30, 2019, all of NESDCAP's deposits were insured or collateralized.

4. DONOR RESTRICTED ASSETS AND LIABILITIES

a. *Donor Restricted Cash and Certificates of Deposit*

Donor restricted cash is comprised of cash balances that are restricted in use under the requirements of various programs. The amount of temporarily restricted cash was \$98,446 and \$130,945 for years ended September 30, 2019 and 2018, respectively.

b. *Donor Restricted Other Receivables*

Donor restricted other receivables are comprised of receivables restricted by requirements of various programs. This balance as of September 30, 2019 and 2018 was \$1,744 and \$1,350, respectively.

c. *Donor Restricted Grants Receivable*

Donor restricted grants receivable is comprised of balances that are restricted in use under the requirements of various programs. These balances consisted of the following at September 30, 2019 and 2018:

	2019	2018
SDHDA Housing Opportunity Fund	\$ 60,368	\$ 53,530
Small Business Development Center	46,676	40,044
Department of Energy - Weatherization	33,316	11,810
Low-Income Energy Assistance Program	21,114	3,410
Community Development Block Grant/LISC	6,951	18,355
South Dakota Housing	2,135	-
Other	3,841	9,131
	\$ 174,401	\$ 136,280

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

4. DONOR RESTRICTED ASSETS AND LIABILITIES, continued

d. *Donor Restricted Notes Receivable*

Donor restricted notes receivables are comprised of receivables restricted by requirements of various programs. This balance as of September 30, 2019 and 2018 was \$339,132 and \$548,461, respectively.

e. *Donor Restricted Investments*

Donor restricted investments are comprised of balances that are restricted under the requirements of the program. These balances consisted of the following at September 30, 2019 and 2018:

	2019	2018
RAIN Investment	\$ 13,625	\$ 13,625

f. *Donor Restricted Cash, Reserve for replacement of Property*

Donor restricted cash reserve for replacement of property is comprised of the loan loss reserve for the Milbank Apartments LLC. This balance as of September 30, 2019 and 2018 was \$17,689 and \$12,684, respectively.

g. *Donor Restricted Accounts Payable*

Donor restricted accounts payable is comprised of a balance that is restricted in use under the requirements of various programs. The amount of donor restricted accounts payable as of September 30, 2019 and 2018 was \$55,581 and \$66,216, respectively.

h. *Donor Restricted Accrued Expenses*

Donor restricted accrued expenses are comprised of a balance that is restricted in use under the requirements of various programs. The amount of donor restricted accounts payable as of September 30, 2019 and 2018 was \$-0- and \$112, respectively.

i. *Donor Restricted Unearned Revenue*

Donor restricted unearned revenue is comprised of balances that are restricted in use under the requirements of various programs. These balances consisted of the following at September 30, 2019 and 2018:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

4. DONOR RESTRICTED ASSETS AND LIABILITIES, continued

i. *Donor Restricted Unearned Revenue, continued*

	2019	2018
County Commission	\$ 51,479	\$ 68,818
CSBG	1,744	774
Other	6,802	5,941
	\$ 60,025	\$ 75,533

j. *Donor Restricted Notes Payable*

Donor restricted notes payable are comprised of balances that are restricted under the requirements of the program. These balances consisted of the following at September 30, 2019 and 2018:

	2019	2018
LISC	\$ 21,075	\$ 21,075

5. DONOR RESTRICTED ASSETS AND LIABILITIES - PERMANENTLY DESIGNATED

NESDCAP receives capital grants from NeighborWorks America for extending affordable loans and funding capital projects. The grantor agency has restricted these amounts with a permanent designation. Proceeds from capital projects or interest earned over and above the corpus may be transferred to net assets without donor restrictions for furthering the NESDCAP's mission. Amounts permanently designated under these program requirements, which are also included in the totals above, consisted of the following as of September 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 75,486	\$ 43,849
Notes receivable	339,131	548,461
	\$ 414,617	\$ 592,310

6. NOTES RECEIVABLE

The purpose of the loan fund is to provide flexible and accessible loans; primarily gap financing that will strengthen, create, or save businesses and job opportunities. A summary of notes receivable by portfolio category as of September 30, 2019 and 2018 follows:

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

6. NOTES RECEIVABLE, continued

	2019	2018
Housing Loans	\$ 3,134,693	\$ 3,745,985
Commercial Loans	1,230,000	1,230,000
Total Loans	4,364,693	4,975,985
Less allowance for loan losses	(224,247)	(255,583)
Total notes receivable, net of allowance	\$ 4,140,446	\$ 4,720,402

The activity in the allowance for loan losses for the years ended September 30, 2019 and 2018 follows:

	2019	2018
Balance, beginning of year	\$ 255,583	\$ 251,725
Provision for bad debts	(11,571)	8,522
Net recoveries (charge-offs)	(19,765)	(4,664)
Total notes receivable, net of allowance	\$ 224,247	\$ 255,583

The following tables present the activity in the allowance for loan losses for the years ended September 30, 2019 and 2018, by portfolio category.

	2019		
	Commercial	Housing	Total
Balance, beginning of year	\$ 61,500	\$ 194,083	\$ 255,583
Provision for bad debts	-	(11,571)	(11,571)
Net recoveries (charge-offs)	-	(19,765)	(19,765)
Balance, end of year	\$ 61,500	\$ 162,747	\$ 224,247

	2018		
	Commercial	Housing	Total
Balance, beginning of year	\$ 61,500	\$ 190,225	\$ 251,725
Provision for bad debts	-	8,522	8,522
Net recoveries (charge-offs)	-	(4,664)	(4,664)
Balance, end of year	\$ 61,500	\$ 194,083	\$ 255,583

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

6. NOTES RECEIVABLE, continued

NESDCAP individually reviews each loan balance where all or a portion of the balance exceeds 90 days past due. Based on the assessment of the borrower's current creditworthiness, NESDCAP estimates the portion, if any, of the balance that will not be calculated. Additionally, on the aggregate remaining loan receivables, NESDCAP estimates an allowance covering those amounts not specifically identified.

The ending balance in the allowance for loan loss is attributed to loans evaluated individually and loans evaluated collectively as follows for the years ended September 30, 2019 and 2018.

2019	Allowance for Loan Losses		
	Commercial	Housing	Total
Individually evaluated	\$ -	\$ -	\$ -
Collectively evaluated	61,500	162,747	224,247
Balance, end of year	<u>\$ 61,500</u>	<u>\$ 162,747</u>	<u>\$ 224,247</u>
2018	Commercial	Housing	Total
Individually evaluated	\$ -	\$ -	\$ -
Collectively evaluated	61,500	194,083	255,583
Balance, end of year	<u>\$ 61,500</u>	<u>\$ 194,083</u>	<u>\$ 255,583</u>
2019	Loans Receivable Balances		
	Commercial	Housing	Total
Individually evaluated	\$ -	\$ -	\$ -
Collectively evaluated	1,230,000	3,134,693	4,364,693
Balance, end of year	<u>\$ 1,230,000</u>	<u>\$ 3,134,693</u>	<u>\$ 4,364,693</u>
2018	Commercial	Housing	Total
Individually evaluated	\$ -	\$ -	\$ -
Collectively evaluated	1,230,000	3,745,985	4,975,985
Balance, end of year	<u>\$ 1,230,000</u>	<u>\$ 3,745,985</u>	<u>\$ 4,975,985</u>

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

6. NOTES RECEIVABLE, continued

Credit Quality Indicators

NESDCAP categorizes loans into risk categories based on the type of loan. There is a minimum of 5% loan loss reserve for the entire portfolio. The loan loss reserve increases to 7% for non-first mortgage, home improvement and down payment mortgages.

Based on the most recent analysis performed, the risk category of loans by class of loans as of September 30, 2019 and 2018 was as follows:

Credit Risk Profile by Internally Assigned Grade

<u>2019</u>	<u>5%</u>	<u>7%</u>	<u>Total</u>
Commercial	\$ 1,230,000	\$ -	\$ 1,230,000
Housing	<u>2,834,055</u>	<u>300,638</u>	<u>3,134,693</u>
Total	<u>\$ 4,064,055</u>	<u>\$ 300,638</u>	<u>\$ 4,364,693</u>

<u>2018</u>	<u>5%</u>	<u>7%</u>	<u>Total</u>
Commercial	\$ 1,230,000	\$ -	\$ 1,230,000
Housing	<u>3,406,812</u>	<u>339,173</u>	<u>3,745,985</u>
Total	<u>\$ 4,636,812</u>	<u>\$ 339,173</u>	<u>\$ 4,975,985</u>

Credit Risk Profile by Class Based on Payment Activity

Commercial and housing loans are managed on an individual basis. Loans that are delinquent 90 days or more or are not accruing interest are considered nonperforming. The following table presents the recorded investments in loans by class based on payment activity as of September 30, 2019 and 2018.

<u>2019</u>	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Commercial	\$ 1,230,000	\$ -	\$ 1,230,000
Housing	<u>3,134,693</u>	<u>-</u>	<u>3,134,693</u>
Total	<u>\$ 4,364,693</u>	<u>\$ -</u>	<u>\$ 4,364,693</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

6. NOTES RECEIVABLE, continued

Credit Risk Profile by Class Based on Payment Activity, continued

<u>2018</u>	<u>Performing</u>	<u>Nonperforming</u>	<u>Total</u>
Commercial	\$ 1,230,000	\$ -	\$ 1,230,000
Housing	3,745,985	-	3,745,985
Total	<u>\$ 4,975,985</u>	<u>\$ -</u>	<u>\$ 4,975,985</u>

The following table summarizes the aging of the past due loans by loan class within the portfolio segments as of September 30, 2019 and 2018.

<u>2019</u>	<u>Current</u>	<u>Still Accruing</u>		<u>Nonaccrual Balance</u>
		<u>30-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	
Commercial	\$ 1,230,000	\$ -	\$ -	\$ -
Housing	3,134,693	-	-	-
Total	<u>\$ 4,364,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2018</u>	<u>Current</u>	<u>Still Accruing</u>		<u>Nonaccrual Balance</u>
		<u>30-89 Days Past Due</u>	<u>Over 90 Days Past Due</u>	
Commercial	\$ 1,230,000	\$ -	\$ -	\$ -
Housing	3,745,985	-	-	-
Total	<u>\$ 4,975,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Impaired Loans

A loan is considered impaired when, based on currently available information, it is probable that NESDCAP will not collect all of the principal and interest contractually required by the loan agreement. Impaired loans include loans that are past due over 90 days and loans placed on nonaccrual status. All impaired loans are evaluated for an asset-specific allowance for credit losses. There were no impaired loans as of September 30, 2019 and 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

6. NOTES RECEIVABLE, continued

Loan Modifications and Troubled Debt Restructuring

Modifications of terms for loans and their inclusion as troubled debt restructurings are based on individual facts and circumstances. Loan modifications that are included as troubled debt restructurings may involve reduction of the interest rate or renewing at an interest rate below current market rates, extension of the term of the loan and/or forgiveness of principal, regardless of the period of modification.

At the time of the restructuring, the loan is evaluated for an asset-specific allowance for credit losses. NESDCAP will continue to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. If the loan defaults after restructuring it is written off with Board approval. As of September 30, 2019, and 2018, NESDCAP did not have any troubled debt restructuring.

7. INVESTMENTS

Equity Securities Without a Readily Determinable Fair Value

NESDCAP has an investment in Great Opportunities, LLC, a South Dakota Limited Liability Company, formed in 2007. Great Opportunities selectively provides seed funding for start-up companies in need of equity capital. This investment is carried at cost, net of the valuation allowance.

At September 30, 2019 and 2018, equity securities consisted of the following:

	<u>2019</u>	<u>2018</u>
Great Opportunities, LLC - cost	\$ 21,075	\$ 21,075
Valuation allowance	<u>(7,450)</u>	<u>(7,450)</u>
	<u>\$ 13,625</u>	<u>\$ 13,625</u>

Investment return is summarized as follows:

Interest and dividend income	\$ -	\$ 4,250
(Increase) in valuation allowance	<u>-</u>	<u>(11,700)</u>
	<u>\$ -</u>	<u>\$ (7,450)</u>

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

8. PROPERTY AND EQUIPMENT

At September 30, 2019 and 2018, property and equipment is as follows:

	<u>2019</u>	<u>2018</u>
Land - Milbank	\$ 6,040	\$ 6,040
Office equipment	33,487	33,487
Equipment	126,127	126,127
Buildings and Improvements - Milbank	632,102	632,102
Vehicles	<u>56,660</u>	<u>56,660</u>
	\$ 854,416	\$ 854,416
Less: Accumulated depreciation	<u>(634,923)</u>	<u>(591,047)</u>
	<u>\$ 219,493</u>	<u>\$ 263,369</u>

Depreciation expense for the year ended September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
NESDCAP	\$ 6,981	\$ 6,981
Milbank Apartments	<u>36,895</u>	<u>37,528</u>
	<u>\$ 43,876</u>	<u>\$ 44,509</u>

9. NOTES PAYABLE

At September 30, 2019 and 2018, notes payable consisted of the following:

	<u>2019</u>	<u>2018</u>
Rural Electric Economic Development, Inc., 3.25% interest; quarterly interest payments of \$5,000; due on November 25, 2024	\$ 1,000,000	\$ 1,000,000
Rural Development, secured by Milbank 16-Plex property; 3.125% interest; monthly installments of \$901; final payment due February 1, 2062	393,260	397,642
NESDCAP, loan to and secured by Milbank 16-Plex property; 1.5% interest; secured; monthly installment of \$414.64; final payment due December 15, 2022	114,508	117,745

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

9. NOTES PAYABLE, continued

	<u>2019</u>	<u>2018</u>
Local Initiatives Support Corporation, proceeds are to support NESDCAP's efforts to assist low-income individuals and families in its target area to become self-sufficient and obtain a higher quality life; unsecured; 0% interest; due on September 30, 2021	21,075	21,075
Total Notes Payable	1,528,843	1,536,462
Less: Current portion	<u>(7,801)</u>	<u>(7,614)</u>
Notes Payable: Long-Term portion	<u>\$ 1,521,042</u>	<u>\$ 1,528,848</u>

Future minimum principal payments on the above notes are as follows:

<u>Years ending September 30</u>	
2020	\$ 7,801
2021	21,619
2022	8,192
2023	109,329
2024	4,965
Thereafter	<u>1,376,937</u>
	<u>\$ 1,528,843</u>

10. LEASES

NESDCAP has entered into leases for office space, vehicles and office equipment. Future minimum lease payments on non-cancelable operating leases payable is as follows:

<u>Years ending September 30</u>	
2020	<u>\$ 23,588</u>

Lease expense under these lease obligations for the year ended September 30, 2019 and 2018 was \$40,438 and \$42,457, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. RELATED PARTY TRANSACTIONS

The Northeast South Dakota Economic Corporation (NESDEC) was formed to reduce poverty, revitalize low-income communities, empower low-income individuals and families to become self-sufficient. The primary purpose of NESDEC is to provide financing to small- and medium-sized businesses in its geographical area who lack sufficient capital to obtain conventional financial institutional financing.

Grow South Dakota is a not-for-profit corporation formed to promote and foster economic, housing, and educational development in distressed communities and underserved markets in South Dakota and to purposefully serve low to moderate income individuals and communities. A minority of Grow South Dakota board members also serve on the NESDCAP board.

NESDEC and Grow South Dakota employees are also employed by NESDCAP. NESDEC and Grow South Dakota reimburse NESDCAP for salaries, employee benefits and various program and administrative costs. NESDEC paid \$564,323 and \$520,921 for the years ended September 30, 2019 and 2018, respectively, and Grow South Dakota paid \$481,475 and \$646,991 for the years ended September 30, 2019 and 2018, respectively.

NESDCAP leases office and storage space from NESDEC on annual leases. Total lease payments under these leases during the year ended September 30, 2019 and 2018, were \$24,000 and \$24,000, respectively.

NESDCAP leases vehicles under operating leases of various terms from Grow South Dakota. Total lease payments under these leases during the years ended September 30, 2019 and 2018, were \$36,113 and \$32,257, respectively.

NESDCAP has advanced Grow South Dakota funds under a continuing loan agreement. This loan carries a balance of \$1,230,000 and \$1,230,000 as of September 30, 2019 and 2018, respectively. Interest earned on this loan during the years ended September 30, 2019 and 2018, were \$37,608 and \$36,698, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

12. COMMITMENTS AND CONTINGENT LIABILITIES

NESDCAP participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Compliance with applicable grant requirements for grants whose grant periods have not expired will be established at some future date. In the opinion of management, the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although they expect such amounts, if any, to be immaterial.

NESDCAP, as part of its normal business operations, grants credit in the form of notes receivable to residents located primarily in the northeastern South Dakota area. The maximum amount of loss due to credit risk is equal to the outstanding balance on the notes. Allowances for loan losses are calculated at 5% of the outstanding loan balances for typical loans and 7% to 50% of the outstanding balances for riskier loans. Collateral is required on all loans, typically a first lien on the residence. NESDCAP seeks to obtain the most secure position possible, including collateral such as mortgages and personal guarantees.

13. RETIREMENT PLAN

NESDCAP maintains a defined contribution Simplified Employee Pension Plan. Substantially, all employees meeting certain eligibility requirements are covered by this plan. NESDCAP may contribute up to 15% of total employee compensation to the plan. However, the board has set the percentage at 10%. Total employer contributions to this plan were \$139,998 and \$138,494 for the years ended September 30, 2019 and 2018, respectively. Of these totals, NESDEC paid \$79,441 and \$78,786 for the years ended September 30, 2019 and 2018, respectively, and Grow South Dakota paid \$14,095 and \$23,564 for the years ended September 30, 2019 and 2018, respectively.

14. POSTEMPLOYMENT BENEFIT OBLIGATIONS

NESDCAP provides benefits to former or inactive employees after employment but before retirement. Those benefits include the continuation of health care benefits. To qualify for this benefit an employee has to be employed with NESDCAP for 25 years. At present, there are three employees who have qualified for this benefit. It is not practicable for NESDCAP to reasonably estimate the amount of its liability for postemployment benefits; accordingly, no liability has been recognized in the accompanying statement of financial position. NESDCAP recognizes the costs of postemployment benefits when actually paid.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

15. SUBSEQUENT EVENTS

Events occurring after September 30, 2019 were evaluated by management on January 3, 2020, the date the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure.

SUPPLEMENTARY INFORMATION

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
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SUPPLEMENTARY FINANCIAL INFORMATION
 SEPTEMBER 30, 2019
 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

SCHEDULE OF FINANCIAL POSITION PER LOCATION

	2019			2018	
	NESDCAP	Milbank 16-Plex	Eliminating Entries	Total	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 3,944,365	\$ 8,454	\$ -	\$ 3,952,819	\$ 2,925,206
Receivable from affiliate	97,576	-	-	97,576	83,155
Other receivables	7,397	-	-	7,397	10,058
Current portion of notes receivable, net of allowance for loan losses of \$4,011 in 2019 and \$6,098 in 2018	75,616	-	-	75,616	115,035
Grant receivable	186,401	-	-	186,401	156,680
Accrued interest receivable	11,377	-	-	11,377	13,403
Prepaid insurance	15,516	-	-	15,516	17,266
Total current assets	<u>4,338,248</u>	<u>8,454</u>	<u>-</u>	<u>4,346,702</u>	<u>3,320,803</u>
LONG-TERM RECEIVABLES:					
Notes receivable, less allowance for loan losses of \$220,236 in 2019 and \$249,485 in 2018 and current maturities	4,064,830	-	-	4,064,830	4,605,367
Total long-term receivables	<u>4,064,830</u>	<u>-</u>	<u>-</u>	<u>4,064,830</u>	<u>4,605,367</u>
OTHER ASSETS:					
Investments	13,625	-	-	13,625	13,625
Property and equipment, net	13,131	206,362	-	219,493	263,369
Cash, reserve for replacement of property	-	17,689	-	17,689	12,684
Total other assets	<u>26,756</u>	<u>224,051</u>	<u>-</u>	<u>250,807</u>	<u>289,678</u>
Total Assets	<u>\$ 8,429,834</u>	<u>\$ 232,505</u>	<u>\$ -</u>	<u>\$ 8,662,339</u>	<u>\$ 8,215,848</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 68,716	\$ -	\$ -	\$ 68,716	\$ 76,491
Accrued expenses	277,791	7,291	-	285,082	261,321
Security deposits	-	5,633	-	5,633	5,347
Unearned revenue	60,025	-	-	60,025	75,533
Current portion of notes payable	-	7,801	-	7,801	7,614
Total current liabilities	<u>406,532</u>	<u>20,725</u>	<u>-</u>	<u>427,257</u>	<u>426,306</u>
LONG-TERM LIABILITIES					
Investment in Milbank 16 Plex	288,187	-	(288,187)	-	-
Notes payable, less current maturities	1,021,075	499,967	-	1,521,042	1,528,848
Total long-term liabilities	<u>1,309,262</u>	<u>499,967</u>	<u>(288,187)</u>	<u>1,521,042</u>	<u>1,528,848</u>
Total Liabilities	<u>1,715,794</u>	<u>520,692</u>	<u>(288,187)</u>	<u>1,948,299</u>	<u>1,955,154</u>
NET ASSETS					
With donor restrictions - permanently designated	414,617	-	-	414,617	592,310
With donor restrictions	76,050	17,689	-	93,739	88,099
Without donor restrictions	6,223,373	(305,876)	288,187	6,205,684	5,580,285
	<u>6,714,040</u>	<u>(288,187)</u>	<u>288,187</u>	<u>6,714,040</u>	<u>6,260,694</u>
Total Liabilities and Net Assets	<u>\$ 8,429,834</u>	<u>\$ 232,505</u>	<u>\$ -</u>	<u>\$ 8,662,339</u>	<u>\$ 8,215,848</u>

See Independent Auditor's Report

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

SUPPLEMENTARY FINANCIAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

SCHEDULE OF ACTIVITIES PER LOCATION

	<u>2019</u>			<u>2018</u>	
	<u>NESDCAP</u>	<u>Milbank 16-Plex</u>	<u>Eliminating Entries</u>	<u>Total</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:					
Grant income	\$ 2,158,372	\$ -	\$ -	\$ 2,158,372	2,254,254
Interest income	188,280	31	-	188,311	200,630
Rent income	-	86,740	-	86,740	62,025
Housing fee income	42,490	-	-	42,490	52,656
Miscellaneous income	43,337	1,986	-	45,323	78,155
Gain (loss) on the disposal of surplus items	1,246	-	-	1,246	572
Provision for valuation allowance - investments	-	-	-	-	(3,200)
Loss on Milbank 16 Plex	(22,897)	-	22,897	-	-
	<u>2,410,828</u>	<u>88,757</u>	<u>22,897</u>	<u>2,522,482</u>	<u>2,645,092</u>
EXPENSES					
PROGRAM SERVICES:					
Weatherization	641,630	-	-	641,630	662,220
Business development	214,422	-	-	214,422	208,649
Self sufficiency	2,497	-	-	2,497	38,673
Housing improvement	630,860	111,654	-	742,514	603,640
Emergency assistance	171,987	-	-	171,987	149,852
	<u>1,661,396</u>	<u>111,654</u>	<u>-</u>	<u>1,773,050</u>	<u>1,663,034</u>
SUPPORTING SERVICES:					
Management and general	296,086	-	-	296,086	274,065
	<u>1,957,482</u>	<u>111,654</u>	<u>-</u>	<u>2,069,136</u>	<u>1,937,099</u>
Change in Net Assets	453,346	(22,897)	22,897	453,346	707,993
Net Assets, Beginning of Year	<u>6,260,694</u>	<u>(265,290)</u>	<u>265,290</u>	<u>6,260,694</u>	<u>5,552,701</u>
Net Assets, End of Year	<u>\$ 6,714,040</u>	<u>\$ (288,187)</u>	<u>\$ 288,187</u>	<u>\$ 6,714,040</u>	<u>\$ 6,260,694</u>

See Independent Auditor's Report

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

SUPPLEMENTARY FINANCIAL INFORMATION
 SEPTEMBER 30, 2019

SCHEDULE OF FINANCIAL POSITION
 NEIGHBORWORKS AMERICA DONOR RESTRICTED CAPITAL FUND

	Net Assets With Donor Restrictions		
	Restricted	Permanently Designated	Total
ASSETS			
Cash and cash equivalents	\$ 31,995	\$ 75,486	\$ 107,481
Notes receivable	-	339,131	339,131
Total Assets	<u>\$ 31,995</u>	<u>\$ 414,617</u>	<u>\$ 446,612</u>
LIABILITIES AND NET ASSETS			
Net assets	<u>\$ 31,995</u>	<u>\$ 414,617</u>	<u>\$ 446,612</u>
Total Liabilities and Net Assets	<u>\$ 31,995</u>	<u>\$ 414,617</u>	<u>\$ 446,612</u>

SCHEDULE OF ACTIVITIES
 NEIGHBORWORKS AMERICA DONOR RESTRICTED CAPITAL FUND

	Net Assets With Donor Restrictions		
	Restricted	Permanently Designated	Total
REVENUE AND OTHER SUPPORT:			
Capital Grant - NeighborWorks America	\$ -	\$ (177,693)	\$ (177,693)
(Decrease) in Net Assets	-	(177,693)	(177,693)
Net Assets, Beginning of Year	<u>31,995</u>	<u>592,310</u>	<u>624,305</u>
Net Assets, End of Year	<u>\$ 31,995</u>	<u>\$ 414,617</u>	<u>\$ 446,612</u>

During the year ended September 30, 2019, \$4,055 was earned in investment and interest income on the net assets of the NeighborWorks America Permanently Designated Capital Funds. These proceeds were released by the organization for operational use. Also during the year, NeighborWorks authorized the release of \$177,693 from Permanently Designated Capital Funds for lending capital. There were no proceeds from capital projects in excess of the amount of funds necessary to maintain the net assets at a level disclosed in the Capital Fund Agreement with NeighborWorks America. Notes Receivable consist of projects for Milbank Apartments LLC, Pheasant Valley Courtyard LLC and for Single Family Housing Loans.

See Independent Auditor's Report

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amounts Passed Through to Sub-Recipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
477 Cluster:				
Passed Through South Dakota Department of Social Services:				
Community Services Block Grant	93.569	19-0821-610	-	\$ 310,249
		20-0821-610	-	<u>151,497</u>
				\$ 461,746
Passed Through the South Dakota Community Action Partnership:				
OCS - Community Service Block Grant	93.569	90ET0461-02-00	-	<u>6,997</u>
Total 477 Cluster				<u>468,743</u>
Passed Through South Dakota Department of Social Services:				
Low-Income Home Energy Assistance	93.568	19-0821-606	-	220,848
		20-0821-606	-	<u>35,176</u>
				<u>256,024</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>724,767</u>
U.S. DEPARTMENT OF ENERGY				
Passed Through the South Dakota Department of Social Services:				
Weatherization Assistance for Low-Income Persons	81.042	19-0821-602	-	322,101
		20-0821-602	-	<u>89,842</u>
				<u>411,943</u>
Total U.S. Department of Energy			<u>-</u>	<u>411,943</u>
U.S. DEPARTMENT OF AGRICULTURE				
Direct Funding:				
Passed through the Local Initiatives Support Corporation:				
Rural Community Development Initiative	10.446	41204-0064	-	2,866
		41204-0065	-	<u>1,021</u>
				3,887
Food Distribution Cluster:				
Passed Through Feeding South Dakota				
Commodity Supplemental Food Program - Administrative Costs	10.565	**	-	231
Commodity Supplemental Food Program - Food Commodities	10.565	**	-	<u>13,911</u>
				<u>14,142</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>18,029</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through South Dakota Housing Development Authority:				
Housing Counseling Assistance Program	14.169	HC170841004	-	<u>2,135</u>
				2,135
Passed Through the Local Initiatives Support Corporation:				
Community Compass Technical Assistance and Capacity Building	14.259	41204-0063	-	<u>14,947</u>
				14,947
Continuum of Care Program	14.267	**	-	<u>2,497</u>
				2,497
Passed Through the Local Initiatives Support Corporation:				
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	41204-0065	-	<u>15,810</u>
				<u>15,810</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>35,389</u>
SMALL BUSINESS ADMINISTRATION				
Passed Through the USD Small Business Development Center:				
Small Business Development Center	59.037	A0003225009	-	22,260
		A000322S013	-	<u>64,453</u>
				<u>86,713</u>
Total Small Business Administration			<u>-</u>	<u>86,713</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Second Harvest in Sioux Falls:				
Emergency Food and Shelter National Board Program	97.024	**	-	<u>10,728</u>
				<u>10,728</u>
Total Department of Homeland Security			<u>-</u>	<u>10,728</u>

See Independent Auditor's Report

NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amounts Passed Through to Sub-Recipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY Passed Through Neighborhood Reinvestment Corporation: Expandable Grants	21.U01	**	<u>19,000</u>	<u>651,700</u>
Total U.S. Department of Treasury			<u>19,000</u>	<u>651,700</u>
Total Federal Funding			<u>\$ 19,000</u>	<u>\$ 1,939,269</u>

** Pass-through entity identifying number not available

Note 1: Basis of Presentation

This accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Northeast South Dakota Community Action Program under programs of the federal government for the year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Northeast South Dakota Economic Corporation, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the organization.

Note 2: 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 Northeast South Dakota Community Action Program, Inc. has not elected to use the 10% de minimis cost rate.

Note 3: Amounts Passed Through to Sub-Recipients

Federal expenditures include \$19,100 that have been passed through to the following agencies

	Federal CFDA Number	Amounts Passed Through to Sub-Recipients
Lakota Funds	21.000	<u>\$ 19,000</u>
		<u>\$ 19,000</u>

See Independent Auditor's Report

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

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

To the Board of Directors
Northeast South Dakota Community Action Program, Inc.
dba GROW South Dakota
Sisseton, South Dakota

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 consolidated financial statements of Northeast South Dakota Community Action Program, Inc. dba GROW South Dakota (a nonprofit organization, hereafter referred to as NESDCAP), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated 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 January 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered NESDCAP'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 NESDCAP's internal control. Accordingly, we do not express an opinion on the effectiveness of the NESDCAP's internal control.

Madison Office	205 North Egan Avenue	PO Box 505	Madison, SD 57042	605.256.9165
Yankton Office	207 Douglas Avenue	PO Box 1018	Yankton, SD 57078	605.665.4401
Sioux Falls Office	507 West 10 th Street	PO Box 876	Sioux Falls, SD 57101	605.336.0372

Toll Free: 1-800-456-0889

email: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPAs, South Dakota Society of CPAs



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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NESDCAP's consolidated 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 report is not suitable for any other purpose.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
January 3, 2020

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Northeast South Dakota Community Action Program, Inc.
dba GROW South Dakota
Sisseton, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Northeast South Dakota Community Action Program, Inc. dba GROW South Dakota (a nonprofit organization, hereafter referred to as NESDCAP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NESDCAP's major federal programs for the year ended September 30, 2019. NESDCAP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NESDCAP'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).

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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 NESDCAP'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 NESDCAP's compliance.

Opinion on Each Major Federal Program

In our opinion, NESDCAP complied, in 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 NESDCAP 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 NESDCAP'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 NESDCAP'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.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
January 3, 2020

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota**

**SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2019**

A. FINANCIAL STATEMENT AUDIT

There were no prior financial statement audit findings reported.

B. MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior major federal award program findings reported.

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota**

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

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies 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 deficiencies identified? _____ yes X none reported

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

Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.U01	Expendable Grants – NeighborWorks America

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**NORTHEAST SOUTH DAKOTA COMMUNITY ACTION PROGRAM, INC.
dba GROW South Dakota**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
YEAR ENDED SEPTEMBER 30, 2019

B. FINANCIAL STATEMENT AUDIT

There are no financial statement audit findings reported.

C. MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no major federal award program findings reported.