

DAKOTA WOODLANDS, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2010 and 2009



CERTIFIED PUBLIC ACCOUNTANTS

563 PHALEN BOULEVARD • ST. PAUL, MN 55130
phone 651.481.1128 • fax 651.481.0982
info@hlaccountants.com • www.hlaccountants.com

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA

Gregory W. Heck, CPA, CVA
Greg L. Emmerich, CPA
Michael Belknap, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dakota Woodlands, Inc.
Eagan, Minnesota

We have audited the accompanying statements of financial position of Dakota Woodlands, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dakota Woodlands, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harrington Langer & Associates

February 11, 2011

DAKOTA WOODLANDS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 286,525	\$ 358,164
Investments	177,101	42,922
Accounts receivable, less allowance for doubtful accounts of \$2,000 for both years	44,814	32,838
Other assets	12,445	9,387
TOTAL CURRENT ASSETS	520,885	443,311
PROPERTY AND EQUIPMENT, at cost		
Land	122,037	122,037
Building and improvements	2,307,640	2,300,690
Furniture and equipment	224,630	224,630
Office equipment	74,554	69,953
	2,728,861	2,717,310
Less: accumulated depreciation	(1,187,245)	(1,081,322)
TOTAL PROPERTY AND EQUIPMENT, net	1,541,616	1,635,988
OTHER ASSETS		
Loan costs, net of accumulated amortization of \$3,295 and \$2,883, respectively	3,294	3,706
TOTAL OTHER ASSETS	3,294	3,706
TOTAL ASSETS	\$ 2,065,795	\$ 2,083,005

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 24,315	\$ 22,285
Accounts payable	8,951	-
Accrued liabilities	<u>9,187</u>	<u>12,712</u>
TOTAL CURRENT LIABILITIES	<u>42,453</u>	<u>34,997</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	<u>702,324</u>	<u>804,675</u>
TOTAL LIABILITIES	<u>744,777</u>	<u>839,672</u>
NET ASSETS		
Unrestricted	1,306,330	1,242,068
Temporarily restricted	<u>14,688</u>	<u>1,265</u>
TOTAL NET ASSETS	<u>1,321,018</u>	<u>1,243,333</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,065,795</u></u>	<u><u>\$ 2,083,005</u></u>

DAKOTA WOODLANDS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
SUPPORT AND REVENUE				
Support				
Grants and donations	\$ 399,214	\$ 13,423	\$ 412,637	\$ 406,862
Government programs	679,803	-	679,803	439,975
Fundraising	87,770	-	87,770	56,935
In-kind contributions	64,068	-	64,068	81,086
Net assets released from restrictions	-	-	-	-
Total Support	<u>1,230,855</u>	<u>13,423</u>	<u>1,244,278</u>	<u>984,858</u>
Revenue				
Interest income	3,722	-	3,722	5,237
Miscellaneous	7,488	-	7,488	8,557
Unrealized gain (loss)	(619)	-	(619)	8,642
Total Revenue	<u>10,591</u>	<u>-</u>	<u>10,591</u>	<u>22,436</u>
Total Support and Revenue	<u>1,241,446</u>	<u>13,423</u>	<u>1,254,869</u>	<u>1,007,294</u>
EXPENSES				
Program services	905,851	-	905,851	870,777
Management and general	171,405	-	171,405	149,506
Development and fundraising	99,928	-	99,928	87,949
TOTAL EXPENSES	<u>1,177,184</u>	<u>-</u>	<u>1,177,184</u>	<u>1,108,232</u>
CHANGE IN NET ASSETS	64,262	13,423	77,685	(100,938)
NET ASSETS, BEGINNING	<u>1,242,068</u>	<u>1,265</u>	<u>1,243,333</u>	<u>1,344,271</u>
NET ASSETS, ENDING	<u>\$ 1,306,330</u>	<u>\$ 14,688</u>	<u>\$ 1,321,018</u>	<u>\$ 1,243,333</u>

DAKOTA WOODLANDS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support			
Grants and donations	\$ 406,862	\$ -	\$ 406,862
Government programs	439,975	-	439,975
Fundraising	56,935	-	56,935
In-Kind Contributions	81,086	-	81,086
Net Assets Released from Restrictions	11,557	(11,557)	-
Total Support	996,415	(11,557)	984,858
Revenue			
Interest income	5,237	-	5,237
Miscellaneous	8,557	-	8,557
Unrealized gain	8,642	-	8,642
Total Revenue	22,436	-	22,436
Total Support and Revenue	1,018,851	(11,557)	1,007,294
EXPENSES			
Program	870,777	-	870,777
Management and general	149,506	-	149,506
Development	87,949	-	87,949
TOTAL EXPENSES	1,108,232	-	1,108,232
CHANGE IN NET ASSETS	(89,381)	(11,557)	(100,938)
NET ASSETS, BEGINNING	1,331,449	12,822	1,344,271
NET ASSETS, ENDING	\$ 1,242,068	\$ 1,265	\$ 1,243,333

DAKOTA WOODLANDS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 77,685	\$ (100,938)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	106,335	103,370
Unrealized (gain) loss on investments	619	(8,642)
Donated securities	(4,624)	(3,108)
Interest and dividends reinvested	(1,579)	(1,960)
Debt forgiveness	(78,000)	(24,833)
Increase (decrease) in:		
Accounts receivable	(11,976)	78,250
Net conditional promises to give	-	250
Other assets	(3,058)	(392)
(Decrease) increase in:		
Accounts payable	8,951	(3,876)
Accrued liabilities	(3,525)	(7,968)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>90,828</u>	<u>30,153</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(137,397)	(2,061)
Proceeds from investments	8,802	156,216
Purchase of property and equipment	(11,551)	(11,728)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(140,146)</u>	<u>142,427</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(22,321)	(64,344)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(71,639)	108,236
CASH AND CASH EQUIVALENTS, BEGINNING	<u>358,164</u>	<u>249,928</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 286,525</u>	<u>\$ 358,164</u>

DAKOTA WOODLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	Total Program Services	Management and General	Development and Fundraising	Total 2010	Total 2009
Salaries	\$ 464,810	\$ 112,451	\$ 66,014	\$ 643,275	\$ 598,631
Payroll taxes	38,350	9,329	5,477	53,156	53,104
Employee benefits	87,365	23,104	13,564	124,033	120,130
Total Personnel Expenses	590,525	144,884	85,055	820,464	771,865
Professional services	-	7,339	-	7,339	8,107
Staff development	608	34	34	676	534
Mileage	2,166	72	72	2,310	572
Program expenses	52,217	897	-	53,114	35,653
In-kind program needs	64,068	-	-	64,068	69,287
Dues and subscriptions	2,279	-	-	2,279	1,842
Advertising	149	-	17	166	-
Building and maintenance	17,346	913	-	18,259	11,563
Equipment rental	6,396	337	-	6,733	9,972
Printing and copying	1,730	692	1,038	3,460	2,668
Postage	1,786	1,072	715	3,573	2,670
Utilities	36,121	1,901	-	38,022	36,203
Telephone	8,051	424	-	8,475	8,396
Insurance	19,190	2,132	-	21,322	22,193
Fundraising events	-	-	12,997	12,997	10,396
Depreciation and amortization	95,998	10,337	-	106,335	103,370
Interest expense	6,326	333	-	6,659	11,345
Miscellaneous	895	38	-	933	1,596
Total Expenses	\$ 905,851	\$ 171,405	\$ 99,928	\$ 1,177,184	\$ 1,108,232

DAKOTA WOODLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Total Program Services	Management and General	Development and Fundraising	Total
Salaries	\$ 436,519	\$ 100,344	\$ 61,768	\$ 598,631
Payroll taxes	36,321	9,278	7,505	53,104
Employee benefits	99,664	13,760	6,706	120,130
Total Personnel Expenses	572,504	123,382	75,979	771,865
Professional services	-	8,107	-	8,107
Staff development	507	-	27	534
Mileage	514	29	29	572
Program expenses	35,653	-	-	35,653
In-kind program needs	69,287	-	-	69,287
Dues and subscriptions	1,474	184	184	1,842
Building and maintenance	10,985	578	-	11,563
Equipment rental	9,473	499	-	9,972
Printing and copying	1,334	534	800	2,668
Postage	1,335	801	534	2,670
Utilities	34,393	1,810	-	36,203
Telephone	7,976	420	-	8,396
Insurance	19,974	2,219	-	22,193
Fundraising events	-	-	10,396	10,396
Depreciation and amortization	93,033	10,337	-	103,370
Interest expense	10,778	567	-	11,345
Miscellaneous	1,557	39	-	1,596
Total Expenses	\$ 870,777	\$ 149,506	\$ 87,949	\$ 1,108,232

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Dakota Woodlands, Inc. (the Organization) is a non-profit organization established for charitable purposes located in Eagan, Minnesota. With over 25 years of successful service, the mission of the Organization is to empower homeless women to create stable futures for their families. With an average length of stay of just over two months in 2010, families stay as long as necessary to help them move from homelessness to housing of their own. During this time, residents are provided with a variety of supportive services and education to address their many issues related to homelessness and help them to successfully obtain and maintain permanent housing.

Cash and Cash Equivalents:

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balances at several financial institutions that are insured by the FDIC up to \$250,000 or the SIPC up to \$100,000. In addition, the Organization's brokerage firm has purchased additional insurance to cover the balances in excess of the SIPC coverages. At December 31, 2010 and 2009, the Organization had no uninsured cash balances.

Allowance for Doubtful Accounts:

The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At December 31, 2010 and 2009, there were allowances for doubtful accounts of \$2,000 for both years.

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 disclosures of contingent 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.

Restricted Net Assets:

Temporarily restricted net assets are those that are used by the Organization and have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions:

Donated goods, equipment, services, and facilities are recorded at fair value at the date of donation. Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skills that would be purchased, if not provided by donation.

Support and Revenue:

Contributions received are measured at their fair market value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred with the accrual basis of accounting.

Functional Allocation of Expenses:

The costs of services provided and expenses are allocated among the programs and supporting services benefited based on usage or full-time equivalent employees.

Income Taxes:

The Organization operates as a charitable organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes.

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the increase (decrease) in unrestricted net assets unless the income or loss is restricted by donor or law.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment purchased are recorded at cost and depreciated over the estimated useful lives of the assets. Property and equipment acquired by donation, if material, are stated at their fair market value at the time of the donation. Depreciation is computed on straight-line and accelerated methods with estimated useful lives of 3 to 39.5 years. Replacements, maintenance, and repairs, which do not improve or extend the lives of the assets, are expensed as incurred. At December 31, 2010 and 2009 the depreciation expense was \$105,923 and \$102,558, respectively.

Loan Costs:

The Organization has paid \$6,589 for loan costs related to its notes payable. These costs are being amortized over the term of the loans. Amortization expense amounted to \$412 for both years ended December 31, 2010 and 2009.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 11, 2011, the date the financial statements were available to be issued.

NOTE 2. INVESTMENTS

General accepted accounting principles establishes a framework for measuring fair value of investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; 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. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS (continued)

Investments on December 31, 2010 and 2009 consisted of the following:

	2010	2009
Municipal bonds	\$ 130,230	\$ -
Corporate equities	46,871	42,922
	\$ 177,101	\$ 42,922

For the years ended December 31, 2010 and 2009, investment income consisted of the following:

	2010	2009
Interest	\$ 3,722	\$ 5,237
Unrealized gain (loss) on investments	(619)	8,642
	\$ 3,103	\$ 13,879

NOTE 3. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2010 and 2009:

	2010	2009
Mortgage note payable in monthly installments of \$2,415, with interest at 8.75% matures in 2013. Secured by the real estate.	\$ 62,806	\$ 85,127

Zero interest mortgage note payable to Minnesota Housing Finance Agency date April 1998:

The mortgage is to be forgiven twenty years from the date of the loan as long as designated property continues to be used as specified in the agreement for production of housing. If default occurs within ten years from the date of the loan, then the full amount of the loan must be repaid. If default occurs between ten years from the date of the loan and twenty years from the date of the loan, then the full amount of the loan less ten percent thereof for each full year after the first ten years of the loan shall be repaid.

	73,333	83,333
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DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. LONG-TERM DEBT (continued)

Zero interest mortgage note payable to Minnesota Housing Finance Agency dated April 1998:

The mortgage is to be forgiven twenty years from the date of the loan as long as designated property continues to be used as specified in the agreement for housing for transitional, low income individuals and/or families. If default occurs within ten years from the date of the loan, then the full amount of the loan must be repaid. If default occurs between ten years from the date of the loan and twenty years from the date of the loan, then the full amount of the loan less ten percent thereof for each full year after the first ten years of the loan shall be repaid.

73,333 83,333

Zero interest mortgage note payable to Minnesota Housing Finance Agency dated November 1999:

The mortgage is to be forgiven twenty years from the date of the loan as long as designated property continues to be used as specified in the agreement for housing for transitional, low income individuals and/or families. If default occurs within ten years from the date of the loan, then the full amount of the loan must be repaid. If default occurs between ten years from the date of the loan and twenty years from the date of the loan, then the full amount of the loan less ten percent thereof for each full year after the first ten years of the loan shall be repaid.

517,167 575,167

Total debt

726,639 826,960

Less: current maturities

(24,315) (22,285)

\$ 702,324 \$ 804,675

Future scheduled maturities of long-term debt are as follows:

Years ending December 31,	Amount
2011	\$ 24,315
2012	26,530
2013	11,961
2014	-
2015	-
Thereafter	<u>663,833</u>
	<u><u>\$ 726,639</u></u>

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PENSION EXPENSE

The Organization sponsors a 401(k) pension plan for its employees. This plan covers all employees who meet certain age and service requirements. Dakota Woodlands, Inc. makes matching contributions up to four percent of the employee's gross compensation. Pension expense for the years ended December 31, 2010 and 2009 was \$15,457 and \$13,740, respectively.

NOTE 5. LEASES

The Organization leases equipment under a non-cancelable operating lease which expires August 13, 2012. Lease expense charged to operations for the years ended December 31, 2010 and 2009 was \$6,733 and \$9,972, respectively.

The following is a schedule of future minimum operating lease payments as of December 31, 2010:

<u>Years ending December 31,</u>	<u>Amount</u>
2011	\$ 4,866
2012	3,512
2013	<u>804</u>
	<u>\$ 9,182</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2010 and 2009 consist of:

	<u>2010</u>	<u>2009</u>
Restrictions for asset purchases	<u>\$ 14,668</u>	<u>\$ 1,265</u>

NOTE 7. DONATED SERVICES AND MATERIALS

The Organization receives donated services from a variety of unpaid volunteers who make contributions of their time in conjunction with the program and services. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort as contributed services have not been satisfied. Management's estimate of donated time for 2010 and 2009 is 9,883 and 8,148 hours, respectively.

The Organization also received donated items of food, personal care items, supplies, printing and household items and is recognized in the statement of activities at estimated market value of \$64,068 and \$81,086 for 2010 and 2009.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. CONTINGENCY

The Organization is required to maintain housing benefits for very low and low-income families for 15 years starting July 19, 1999. In the event of noncompliance, the Organization will be required to return the funds from the direct subsidy with a maximum of \$300,000 or an agreed upon lesser amount. It is noteworthy that the mission of Dakota Woodlands is to empower homeless women to create stable futures for their families, directly related to the donor requirement.

NOTE 9. SUPPLEMENTARY CASH FLOW DISCLOSURES

Cash paid for interest for the year ended December 31, 2010 and 2009 was \$6,659 and \$11,345, respectively.

NOTE 10. NON-CASH INVESTING AND FINANCING ACTIVITIES

In accordance with the Organization's loan agreements with Minnesota Housing Finance Agency Housing Trust Fund Program, it has recorded debt forgiveness of \$78,000 and \$24,833 for the years ended December 31, 2010 and 2009.