

DAKOTA WOODLANDS, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2020

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, CPA



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

563 PHALEN BOULEVARD • ST. PAUL, MN 55130
phone 651.481.1128 • fax 651.481.0982

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Dakota Woodlands, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dakota Woodlands, Inc. as of December 31, 2020, 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 the Dakota Woodlands, Inc. 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harmington Langer & Associates

March 16, 2021

DAKOTA WOODLANDS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 543,250	\$ 463,608
Investments	617,035	546,478
Accounts receivable, less allowance of \$55,000 and \$29,000, respectively	57,030	35,998
Other assets	18,474	15,240
TOTAL CURRENT ASSETS	1,235,789	1,061,324
PROPERTY AND EQUIPMENT, at cost		
Land	122,038	122,038
Building and improvements	2,433,104	2,403,028
Furniture and equipment	72,479	66,388
Vehicles	26,234	26,234
Less: accumulated depreciation	2,653,855 (1,839,846)	2,617,688 (1,740,922)
TOTAL PROPERTY AND EQUIPMENT, net	814,009	876,766
TOTAL ASSETS	\$ 2,049,798	\$ 1,938,090

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,947	\$ 10,980
Accrued liabilities	<u>22,846</u>	<u>23,663</u>
TOTAL CURRENT LIABILITIES	40,793	34,643
NET ASSETS		
Without donor restrictions	2,009,005	1,903,447
With donor restrictions	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,009,005</u>	<u>1,903,447</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,049,798</u></u>	<u><u>\$ 1,938,090</u></u>

DAKOTA WOODLANDS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
SUPPORT AND REVENUE				
Grants and contributions	\$ 302,549	\$ -	\$ 302,549	\$ -
Government program fees, net of contractual adjustments of \$323,798 and \$326,398, respectively	775,820	246,623	775,820	736,052
Fundraising event, net of expenses of \$0 and \$1,351, respectively	13,441	-	13,441	36,761
In-kind contributions	202,224	-	202,224	92,942
Investment income (loss), net of fees	66,517	-	66,517	95,603
Miscellaneous	850	-	850	920
Net assets released from restrictions	-	-	-	-
Total Support and Revenue	1,361,401	-	1,361,401	1,208,901
EXPENSES				
Program services	1,046,874	-	1,046,874	1,030,992
Management and general	113,772	-	113,772	105,118
Development and fundraising	95,197	-	95,197	88,266
Total Expenses	1,255,843	-	1,255,843	1,224,376
CHANGE IN NET ASSETS	105,558	-	105,558	(15,475)
NET ASSETS, BEGINNING	1,903,447	-	1,903,447	1,918,922
NET ASSETS, ENDING	\$ 2,009,005	\$ -	\$ 2,009,005	\$ 1,903,447

DAKOTA WOODLANDS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 105,558	\$ (15,475)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	98,924	96,905
Realized and unrealized (gain) loss on investment, net	(56,815)	(81,778)
Interest and dividends reinvested	(1,590)	(3,700)
Donated securities	(2,697)	(4,193)
Debt forgiveness	-	(53,166)
(Increase) decrease in:		
Accounts receivable	(21,032)	37,154
Other assets	(3,234)	(7,089)
Increase (decrease) in:		
Accounts payable	6,967	30
Accrued liabilities	(817)	(13,252)
	<u>125,264</u>	<u>(44,564)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>125,264</u>	<u>(44,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(47,452)	(24,129)
Proceeds from sale of investments	37,997	24,821
Purchase of property and equipment	(36,167)	(25,402)
	<u>(45,622)</u>	<u>(24,710)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>(45,622)</u>	<u>(24,710)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,642	(69,274)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>463,608</u>	<u>532,882</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 543,250</u>	<u>\$ 463,608</u>

DAKOTA WOODLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Program Services	Management and General	Development and Fundraising	Total 2020	Total 2019
Salaries	\$ 437,774	\$ 78,282	\$ 75,419	\$ 591,475	\$ 641,430
Payroll taxes	39,080	6,988	6,733	52,801	53,133
Employee benefits	27,317	8,581	8,180	44,078	65,428
Total Personnel Expenses	504,171	93,851	90,332	688,354	759,991
Professional services	7,462	6,714	668	14,844	14,625
Staff development	200	651	-	851	429
Mileage	835	-	-	835	2,076
Client supportive services	129,566	699	-	130,265	142,596
In-kind program needs	202,224	-	-	202,224	92,942
Dues and subscriptions	715	760	-	1,475	1,775
Building and maintenance	13,957	200	70	14,227	16,657
Equipment purchase/agreements	34,546	4,475	494	39,515	32,347
Postage	28	392	-	420	290
Utilities	38,555	1,045	697	40,297	40,420
Telephone	7,377	1,609	685	9,671	9,541
Insurance	13,244	418	279	13,941	13,497
Depreciation	93,994	2,958	1,972	98,924	96,905
Contractual adjustments	323,798	-	-	323,798	326,398
Special events	-	-	-	-	1,351
Miscellaneous	-	-	-	-	285
Total expenses by function	1,370,672	113,772	95,197	1,579,641	1,552,125
Less expenses included with revenue on statement of activities					
Contractual adjustments	(323,798)	-	-	(323,798)	(326,398)
Special events	-	-	-	-	(1,351)
Total expenses included in the expense section on the statement of activities	\$ 1,046,874	\$ 113,772	\$ 95,197	\$ 1,255,843	\$ 1,224,376

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. Dakota Woodlands is a pathway to sustainable and independent housing for homeless women and families by providing a continuum of supportive services. 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 statements 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.

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, 2020, management provided for an allowance of doubtful accounts of \$55,000.

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.

Basis of Presentation:

The financial statements of Dakota Woodlands, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained 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.

Revenue and Expense Recognition:

The Organization recognizes revenue from exchange transaction, primarily from agreements with government agencies to provide housing supportive services, as the services are provided to the client. These amounts are included in program services. Special event revenue is recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Special event revenue is recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

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

Income Taxes:

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to any extent it has taxable income that is not related to its tax-exempt purpose. Unrelated business income is taxed at the corporate income tax rate. Management believes the Organization did not have any unrelated business income in 2020.

Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

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

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.

Investments:

Investments are stated at fair value. Unrealized gains and losses are included in the change in net assets. Donated investments are recorded at fair value as of the date of the donation.

Property and Equipment:

Property and equipment purchased is recorded at cost and depreciated over the estimated useful lives of the assets. Property and equipment acquired by donation, if material, is stated at fair value at the time of the donation. Depreciation is computed using the straight-line method with estimated useful lives of 3 to 39 years. Replacements, maintenance and repairs which do not improve or extend the lives of the assets, are expensed as incurred. At December 31, 2020, depreciation expense was \$98,924.

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 the Organization's financial statements from the year ended December 31, 2020, from which the summarized information was derived.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 15, 2021, the date the financial statements were available to be issued.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

	<u>Amount</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 543,250
Accounts receivable, net	57,030
Investments	<u>617,035</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,217,315</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in money market accounts, mutual funds, corporate bond funds and equities.

NOTE 3. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Dakota Woodlands groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

Investments are stated at fair value, which is based on quoted market prices at December 31, 2020. All investments are Level 1 assets.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. RETIREMENT PLAN

The Organization sponsors a 401(k)-retirement plan for its employees. This plan covers all employees who meet certain age and service requirements. The Organization makes matching contributions up to four percent of the employee's gross compensation. Retirement expense for the year ended December 31, 2020 was \$11,628.

NOTE 5. 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 the year ended December 31, 2020 is 1,583 hours from 349 volunteers.

The Organization received donated items of food, personal care items, supplies, printing and household items of \$202,224 for the year ended December 31, 2020.

NOTE 6. MAINTENANCE AGREEMENTS AND EQUIPMENT LEASES

The Organization has non-cancelable maintenance agreements and equipment leases which expire at various dates through December 2023. Expense charged to operations under these agreements for the year ended December 31, 2020 was \$3,754.

The following is a schedule of future minimum payments as of December 31, 2020:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 1,380
2022	708
2023	<u>708</u>
	<u>\$ 2,796</u>

NOTE 7. CONCENTRATIONS

For the year ended December 31, 2020, payments from Dakota County accounted for approximately 57% of total support and revenue.

The Organization maintains cash balances at twin cities institutions insured by the FDIC up to \$250,000. At December 31, 2020, the Organization had \$128,031 of uninsured cash balances.

DAKOTA WOODLANDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. BORROWING ARRANGEMENTS

The Organization maintains a credit card arrangement with Bremer Bank upon which they can borrow up to \$50,000. Balances on this account accrue interest at a rate of 14.99%. This account is unsecured. Outstanding balances on this account totaled \$3,906 at December 31, 2020, and are included in accounts payable.