

COMMUNITY INVOLVEMENT PROGRAMS
(A Nonprofit Organization)

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION AND
REPORTS REQUIRED BY OMB UNIFORM GUIDANCE

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
COMMUNITY INVOLVEMENT PROGRAMS
1600 Broadway Street NE
Minneapolis, MN 55413-2617

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Involvement Programs (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2016 and 2015, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Involvement Programs as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplemental Information

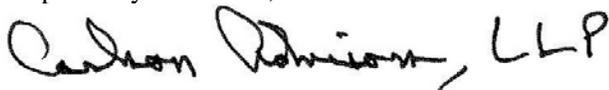
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Changes in Net Assets by Program for the years ended December 31, 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Accounting principles generally accepted in the United States of America require that the accompanying supplemental information shown on pages 23 to 30 be presented to supplement the basic financial statements. The supplemental information is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, and is not a required part of the financial statements. The accompanying Schedules of Expenditures of Federal Awards and Findings and Questioned Costs on pages 28 to 30 is presented for purposes of additional analysis as required by the Office of Management and Budget Uniform Guidance, Audits of State, Local Government, and Non-Profit Organizations and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued two reports dated April 11, 2017 on our consideration of Community Involvement Program's internal control over financial reporting and on our tests of its compliance with certain provisions, regulations, contracts, grant agreements, and other matters. The purpose of these reports is 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 internal control over financial reporting or on compliance. These reports are an integral part of *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,



CARLSON ADVISORS, LLP
Minneapolis, Minnesota

April 17, 2017

COMMUNITY INVOLVEMENT PROGRAMS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	December 31,	
	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 91,673	\$ 23,899
Accounts Receivable, Less Allowance for Doubtful Accounts of \$113,002 and \$67,200 as of December 31, 2016 and 2015, respectively	2,555,958	2,919,103
Prepaid Expenses	135,425	103,650
Current Maturities of Note Receivable – Related Organization	11,278	10,918
Total Current Assets	2,794,334	3,057,570
 PROPERTY AND EQUIPMENT		
Land	476,693	476,693
Buildings and Building Improvements	6,995,832	6,093,569
Furniture and Equipment	809,534	725,366
Vehicles	114,221	114,221
Construction in Progress	-	535,385
Total	8,396,280	7,945,234
Less: Accumulated Depreciation	4,095,108	3,753,958
Total Property and Equipment (At Depreciated Cost)	4,301,172	4,191,276
 OTHER ASSETS		
Restricted Deposits	30,988	29,488
Due from Related Organizations	846,628	760,988
Note Receivable – Related Organization	2,877	14,155
Rental Deposits	20,627	20,627
Unemployment Trust Deposits	364,324	410,225
Total Other Assets	1,265,444	1,235,483
Total Assets	\$ 8,360,950	\$ 8,484,329

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS

	December 31,	
	2016	2015
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 97,365	\$ 91,796
Line of Credit	-	334,582
Checks in Excess of Deposits	-	146,926
Accounts Payable	142,764	169,555
Accrued Expenses:		
Payroll	331,648	334,527
Payroll Taxes and Withholding	25,465	57,460
Interest	5,791	5,845
Vacation Pay	585,132	416,569
Retirement	15,922	16,779
Other	39,051	111,719
Damage Deposits	10,255	9,669
Total Current Liabilities	1,253,393	1,695,427
UNEMPLOYMENT TRUST RESERVE	364,324	415,438
LONG-TERM DEBT (Net of Current Portion Shown Above)		
Mortgages and Notes Payable (Net of Finance Costs)	1,892,257	1,841,031
Deferred Loans	2,772,146	2,257,147
Total Long-Term Debt	4,664,403	4,098,178
 Total Liabilities	 6,282,120	 6,209,043
NET ASSETS		
Unrestricted	1,951,829	1,950,302
Temporarily Restricted	127,001	324,984
Total Net Assets	2,078,830	2,275,286
 Total Liabilities and Net Assets	 \$ 8,360,950	 \$ 8,484,329

COMMUNITY INVOLVEMENT PROGRAMS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE			
Program Revenue	\$ 39,364,049	\$ -	\$ 39,364,049
Grants and Donations	30,373	10,000	40,373
Fundraising Revenue (Net of Expense)	13,414	-	13,414
Management Fee Income	178,683	-	178,683
Interest Income	2,111	-	2,111
Other Income	11,340	-	11,340
Total Support and Revenue	<u>39,599,970</u>	<u>10,000</u>	<u>39,609,970</u>
 Net Assets Released from Restrictions	 <u>207,983</u>	 <u>(207,983)</u>	 <u>-</u>
 Net Support and Revenue	 <u>39,807,953</u>	 <u>(197,983)</u>	 <u>39,609,970</u>
EXPENSES			
Program Services	37,137,975	-	37,137,975
Support Services:			
Management and General	2,188,292	-	2,188,292
Fund Raising	162,351	-	162,351
Total Support Services	<u>39,488,618</u>	<u>-</u>	<u>39,488,618</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>319,335</u>	<u>(197,983)</u>	<u>121,352</u>
OTHER INCOME (EXPENSE)			
Realized Loss on Disposal of Property and Equipment	(320,154)	-	(320,154)
Unrealized Gain on Unemployment Trust Deposits	2,346	-	2,346
	<u>(317,808)</u>	<u>-</u>	<u>(317,808)</u>
CHANGES IN NET ASSETS	1,527	(197,983)	(196,456)
NET ASSETS, BEGINNING OF YEAR	<u>1,950,302</u>	<u>324,984</u>	<u>2,275,286</u>
NET ASSETS, END OF YEAR	<u>\$ 1,951,829</u>	<u>\$ 127,001</u>	<u>\$ 2,078,830</u>

See accompanying Notes to Financial Statements.

**COMMUNITY INVOLVEMENT PROGRAMS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015		
	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE			
Program Revenue	\$ 38,595,584	\$ -	\$ 38,595,584
Grants and Donations	-	154,820	154,820
Fundraising Revenue (Net of Expense)	2,999	27,413	30,412
Management Fee Income	174,128	-	174,128
Interest Income	1,807	-	1,807
Other Income	27,410	-	27,410
Total Support and Revenue	<u>38,801,928</u>	<u>182,233</u>	<u>38,984,161</u>
Net Assets Released from Restrictions	<u>52,604</u>	<u>(52,604)</u>	<u>-</u>
Net Support and Revenue	<u>38,854,532</u>	<u>129,629</u>	<u>38,984,161</u>
EXPENSES			
Program Services	36,875,352	-	36,875,352
Support Services:			
Management and General	2,146,300	-	2,146,300
Fund Raising	74,596	-	74,596
Total Support Services	<u>39,096,248</u>	<u>-</u>	<u>39,096,248</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(241,716)</u>	<u>129,629</u>	<u>(112,087)</u>
OTHER INCOME (EXPENSE)			
Realized Gain on Disposal of Property and Equipment	81,996	-	81,996
Unrealized Loss on Unemployment Trust Deposits	(337)	-	(337)
Total Other Income	<u>81,659</u>	<u>-</u>	<u>81,659</u>
CHANGES IN NET ASSETS	<u>(160,057)</u>	<u>129,629</u>	<u>(30,428)</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,110,359</u>	<u>195,355</u>	<u>2,305,714</u>
NET ASSETS, END OF YEAR	<u>\$ 1,950,302</u>	<u>\$ 324,984</u>	<u>\$ 2,275,286</u>

See accompanying Notes to Financial Statements.

**COMMUNITY INVOLVEMENT PROGRAMS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Year Ended December 31,	
	2016	2015
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (196,456)	\$ (30,428)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	341,153	275,837
Amortization of Finance Costs	3,806	4,152
Provision for Loss on Accounts Receivable	191,640	169,851
Loss (Gain) on Disposal of Property and Equipment	320,154	(81,996)
Unrealized Loss (Gain) on Unemployment Trust Deposits	(2,346)	337
Decrease (Increase) in Operating Assets:		
Accounts Receivable	171,505	(1,599,200)
Due from Related Organizations	(85,640)	(121,347)
Prepaid Expenses and Deposits	(31,775)	(46,624)
Restricted Deposits	(1,500)	7,044
Unemployment Trust Deposits	48,247	108,428
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Deposits	(26,205)	29,410
Accrued Payroll, Interest, Vacation Pay, Payroll Taxes, Retirement, and Other Accrued Expenses	60,109	(61,303)
Unemployment Trust Reserve	(51,114)	(103,551)
Net Cash Provided by (Used for) Operating Activities	741,578	(1,449,390)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Purchases of Property and Equipment	(606,815)	(415,645)
Purchases of Construction in Progress	(188,828)	(547,698)
Proceeds from Disposal of Property and Equipment	24,441	81,996
Payments Received on Note Receivable - Related Organization	10,918	10,569
Net Cash Used for Investing Activities	(760,284)	(870,778)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Increase (Decrease) in Checks in Excess of Deposits	(146,926)	146,926
Payments on Long-Term Debt	(93,311)	(89,370)
Proceeds from Long-Term Debt	661,300	341,375
Net Borrowing (Repayment) on Line of Credit	(334,582)	334,582
Net Cash Provided by Financing Activities	86,481	733,513
NET INCREASE (DECREASE) IN CASH	67,774	(1,586,656)
CASH – BEGINNING	23,899	1,610,554
CASH – ENDING	\$ 91,673	\$ 23,899
SUPPLEMENTAL INFORMATION:		
Cash Paid During the Period for Interest	\$ 82,500	\$ 62,200

See accompanying Notes to Financial Statements.

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF ORGANIZATION AND OPERATIONS

Community Involvement Programs (Organization) is a Minnesota nonprofit organization providing assistance to adults with developmental disabilities and mental illness by providing residential and vocational services, with the primary focus on community integration. The Organization is located in Minneapolis, Minnesota. Community Involvement Programs provides a variety of Home and Community Based Services (HCBS) as an enrolled Medical Assistance provider with the Minnesota Department of Human Services. The majority of services are provided under contract with Hennepin, Ramsey, Dakota, Pine, and Anoka counties.

Community Services

Promote wellness, safety and recovery for individuals who have mental health issues and/or intellectual/developmental disabilities. Includes psychiatric home health care, independent living skills, adult foster care, adult rehabilitative mental health services, and in-home support for people with intellectual and/or developmental disabilities. These services support the individuals in living as independently as possible.

Employment and Community Supports

Individualized support to find the right match of individual to job, including discovering individuals' abilities, skills and interests, job development, on-the-job training, and ongoing job support. Employment services staff provide support to help define customized career paths for individuals and work with employers to find and develop job opportunities that make sense for individuals. For people who do not work, we provide day services that allow people to volunteer, participate in personal development and learning, and engage with their communities on a daily basis.

Case Management

Develops and carries out plans that enable the individuals served to live their greatest lives in various counties throughout Minnesota. Case management services increase the ability of the people served to self-direct their care, use person-centered principles to provide individualized supports, involve the families of the people served, emphasize individual choice and promote a greater quality of life.

Housing

Provide access to affordable housing for people coping with low income or mental illness, or who are homeless or at risk of becoming homeless. Housing options include efficiency apartments, one- and two-bedroom apartments and shared houses with private bedrooms. People receiving housing services can feel more secure and prepared to live their greatest lives, and may choose to access other CIP services or services from other providers to build their skills, self-reliance, and wellness.

Personal Support

Provide supervision and assistance to an individual, either in his or her home or in the community, in order for the person to meet his or her goals. CIP works with families and individuals using Personal Support Services to hire staff and implement the plan for supervision and assistance. CIP assists in developing a wide range of support to provide continuity of care, advocacy, access to resources, staff coordination and hiring, and monitoring the provision of services.

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF ORGANIZATION AND OPERATIONS – Continued

Family Services

Make it possible for people to make their own choices of services and supports, providing the self-direction they want in order to live their greatest lives. Families and individuals receive a budget allocation from the State of Minnesota to hire support workers of their choosing and schedule hours based on their individual needs. CIP provides fiscal management support, helping people navigate complex waiver programs, providing financial reports, advice on goods and services that are allowed or disallowed, and guidance when they want to change providers.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards of Accounting and Financial Reporting

The Organization follows the accounting guidance in the audit and accounting guide, Health Care Organizations, which is in conformity with the recommendations of the American Institute of Certified Public Accountants.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits in banks and money market instruments. The Organization also considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Organization had no cash equivalents as of December 31, 2016 and 2015. At times, cash and cash equivalents may be in excess of FDIC limits.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less allowance for doubtful accounts. The Organization provides for losses on these receivables using the allowance method. The allowance is based on experience and other circumstances. Receivables are considered past-due based on contractual terms. The Organization does not charge interest on past due accounts. The Organization charges off uncollectible receivables against the allowance for doubtful accounts when all other options to pursue collection have been exhausted. At December 31, 2016 and 2015, the allowance was \$113,002 and \$67,200, respectively.

COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value at the date of the gift, if donated. The Organization's capitalization threshold is for property and equipment which exceed \$5,000. Renewals and betterments with a cost of greater than the threshold that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of the assets are as follows:

Buildings and Improvements	1 to 35 Years
Furniture and Equipment	3 to 7 Years
Vehicles	4 to 5 Years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property, equipment and certain identifiable intangibles, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recovered. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The Organization has determined that no impairment existed at December 31, 2016 and 2015.

Restricted Deposits

Restricted Deposits are cash deposits with financial institutions that the Organization is holding in trust for the individuals they serve. As of December 31, 2016 and 2015, the Organization was holding \$7,454 and \$5,968, respectively, of funds in trust.

Restricted Deposits also include cash deposits with financial institutions that the Organization is required to set aside for the replacement of property and other project expenditures approved by HUD. As of December 31, 2016 and 2015, the Organization held \$23,534 and \$23,520, respectively, of HUD restricted deposits.

Revenue Recognition

Program revenues are recognized as the services are provided. Contributions, including unconditional promises to give (pledges), are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions solicited by campaign drives and fundraisers are restricted if the advertised use of the contribution was for a specific restricted purpose.

It is the Organization's policy to imply a time restriction on donations of long-lived assets (or donation of grants of cash or other assets restricted for acquisition of long-lived assets) such that the donations and grants are reported as restricted support, with the related restrictions expiring over the useful lives of the donated assets.

Donated Material and Services

Donated materials are reflected as contributions in the financial statements at their estimated value at the date of receipt. Donated services are recognized as contributions in accordance with GAAP, if the service (a) creates or enhances nonfinancial assets or, (b) specialized skills are performed by people with those skills that would otherwise be purchased by the Organization. No amounts have been reflected in the statements for donated materials or services as of December 31, 2016 and 2015.

Administrative Costs

The administrative costs have been allocated among the programs benefited and are included in the total program costs as reported on the Schedule of Changes in Net Assets by Program.

Income Tax Status

The Organization was incorporated under the laws of Minnesota as a nonprofit corporation and is exempt from federal income tax under Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 501(a). Accordingly, no provision for income taxes has been made on the financial statements.

The Organization has adopted accounting guidance related to uncertainty in income taxes. This guidance clarifies the recognition threshold and measurement requirements for income tax position taken or expected to be taken on income tax returns. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. Under the standards, the Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities. The Organization has identified no income tax uncertainties.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. General and management expenses have been allocated among the programs and supporting services benefited.

Functional expense totals for the years ended December 31, 2016 and 2015 are as follows:

	2016		2015	
	Amount	%	Amount	%
Program	\$ 37,137,975	94.1	\$ 36,875,352	94.3
Management and General	2,188,292	5.6	2,146,300	5.5
Fundraising	162,351	0.3	74,596	0.2
Total	\$ 39,488,618		\$ 39,096,248	

New Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-For-Profit Entities*, which provides guidance for the presentation of not-for-profit financial statements. The guidance requires not-for-profit entities to 1) reclassify Net Assets into two classes (“Without Donor Restrictions” or “With Donor Restrictions”) rather than three classes, 2) present both qualitative and quantitative information that communicates how the organization manages its liquid resources and the availability of financial assets to meet cash needs within one year of the Statement of Financial Position date, 3) present an analysis of expenses by function and nature, 4) present Investment Return amounts as a net presentation of investment expenses against investment returns, 5) present the Statement of Cash Flows in either direct or indirect method, but if using direct method, no longer required to show indirect reconciliation. The guidance will initially be applied using a retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. Management is evaluating the impact of the amended guidance on the entity’s financial statements.

Reclassifications

Certain reclassifications have been made on the 2015 financial statements to conform to the 2016 presentation. The reclassifications have no effect on the changes in net assets or net assets as previously reported.

NOTE 3 LOAN CLOSING COSTS

As of January 1, 2016, the Company adopted ASU 2015-03 on a retrospective basis to all prior balance sheet periods presented. As a result of the adoption, the Company reclassified unamortized finance costs associated with its mortgage note payable, which totaled approximately \$62,300 as of December 31, 2016, from finance costs to a reduction of the mortgage note payable on the balance sheet. Adoption of ASU 2015-03 had no impact on the Company's current and previously reported net assets, statement of activities, or cash flows.

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 LOAN CLOSING COSTS – Continued

Loan closing costs are the capitalized cost of obtaining long-term financing. The loan closing costs are amortized on a straight-line basis over the term of the respective loan. Loan fees charged to interest expenses were \$3,806 and \$4,152 for the years ended December 31, 2016 and 2015, respectively.

Future amortization expenses for loan closing costs are as follows:

Year Ending December 31,	Amount
2017	\$ 4,498
2018	4,498
2019	4,498
2020	4,498
2021	4,498
Thereafter	39,799
Total	\$ 62,289

NOTE 4 LINES OF CREDIT

The Organization has a line of credit agreement for \$1,600,000 with Sunrise Banks, which includes interest at prime (effective rate of 3.75% at December 31, 2016), is due on demand and secured by accounts receivable and other property. The line of credit expires on July 13, 2017. There were no borrowings outstanding under this agreement as of December 31, 2016.

The Organization has a second line of credit agreement for \$350,000 with Sunrise Banks, which includes interest at prime (effective rate of 3.75% at December 31, 2016), is due on demand and secured by accounts receivable and other property. The line of credit expires on July 13, 2017. There were no borrowings outstanding under this agreement as of December 31, 2016.

NOTE 5 MORTGAGES AND NOTES PAYABLE

Mortgages and Notes Payable outstanding are as follows at December 31:

Description	Interest Rate	Due Within One Year	Due After One Year	2016 Total	2015 Total
Northview Bank, monthly principal and interest payments of \$262 through October 2018, secured by land.	7.00%	\$ 2,000	\$ 15,918	\$ 17,918	\$ 19,782
Sunrise Bank – Tax Exempt Bonds, monthly principal and interest payments of \$9,503, through July 2033, secured by Property and Equipment.	2.93%	75,716	1,264,682	1,340,398	1,413,856

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 MORTGAGES AND NOTES PAYABLE – Continued

<u>Description</u>	<u>Interest Rate</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>2016 Total</u>	<u>2015 Total</u>
Wells Fargo Home Mortgage, monthly principal and interest payments of \$672 through February 2034, secured by land and building.	6.63%	2,691	79,603	82,294	84,813
Sunrise Bank – Tax Exempt Bonds, monthly principal and interest payments of \$1,029 through July 2033, secured by land and building.	2.93%	8,452	123,226	131,678	140,018
Venture Bank, monthly principal and interest payments of \$709 through May 2036, secured by land and building.	4.13%	2,582	142,260	144,842	-
Venture Bank, monthly principal and interest payments of \$697 through October 2045, secured by land and building.	4.38%	2,423	134,524	136,947	139,267
Venture Bank, monthly principal and interest payments of \$1,007 through October 2045, secured by land and building.	4.38%	3,501	194,333	197,834	201,186
Outstanding Mortgages and Note Payables		<u>97,365</u>	<u>1,954,546</u>	<u>2,051,911</u>	<u>1,998,922</u>
Less: Unamortized Finance Cost		<u>-</u>	<u>62,289</u>	<u>62,289</u>	<u>66,095</u>
Mortgage Note Payable, Net of Finance Costs		<u>\$ 97,365</u>	<u>\$ 1,892,257</u>	<u>\$ 1,989,622</u>	<u>\$ 1,932,827</u>

Future minimum principal payments on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 97,365
2018	114,342
2019	101,586
2020	104,757
2021	108,233
Thereafter	1,525,628
Total	<u>\$ 2,051,911</u>

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 DEFERRED LOANS

Deferred loans consist of non-interest bearing mortgages to various housing agencies which require no payments. These mortgages will be forgiven if all loan and operating method requirements imposed by the respective regulatory agencies are met by the Organization during the term of the deferred loans. The Organization has met all loan and operating method requirements as of December 31, 2016. Deferred loans outstanding are as follows at December 31:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Non-interest bearing mortgage payable to Hennepin County under the HOME Investment Partnership Program, no payment due until maturity, December 2038, secured by real estate in the Shared Housing Program.	\$ 306,745	\$ 306,745
Non-interest bearing mortgage payable to Hennepin County under the HOME Investment Partnership Program, no payment due until maturity, December 2038, secured by real estate in the Shared Housing Program.	391,422	391,422
Non-interest bearing mortgage payable to Hennepin County under the HOME Investment Partnership Program, no payment due until maturity, November 2027, secured by real estate in the Shared Housing Program.	227,135	227,135
Non-interest bearing mortgage payable to Hennepin County under the HOME Investment Partnership Program, no payment due until maturity, December 2030, secured by real estate in the Shared Housing Program.	230,000	230,000
Non-interest bearing mortgage payable to Hennepin County under the HOME Investment Partnership Program, no payment due until maturity, August 2042, secured by real estate in the Shared Housing Program.	118,869	118,869
Non-interest bearing mortgage payable to Hennepin County Housing and Redevelopment Authority under the Affordable Housing Incentive Fund, no payment due until maturity, November 2031, secured by real estate in the Shared Housing Program.	25,000	25,000
Non-interest bearing mortgage payable to Hennepin County Housing and Redevelopment Authority under the Affordable Housing Incentive Fund, no payment due until maturity, June 2032, secured by real estate in the Shared Housing Program.	155,225	155,225

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 DEFERRED LOANS – Continued

<u>Description</u>	<u>2016</u>	<u>2015</u>
Non-interest bearing mortgage payable to Hennepin County Housing and Redevelopment Authority under the Affordable Housing Incentive Fund, no payment due until maturity, June 2032, secured by real estate in the Shared Housing Program.	16,775	16,775
Non-interest bearing mortgage payable to Hennepin County under the 2001 HOME Program, no payment due until maturity, June 2032, secured by real estate in the Shared Housing Program.	83,300	83,300
Non-interest bearing mortgage payable to Hennepin County under the HOME Investment Partnership Program, no payment due until maturity, February 2033, secured by real estate in the Shared Housing Program.	251,826	251,826
Non-interest bearing mortgage payable to Minnesota Housing Finance Agency, no payment due until maturity, April 2033, secured by real estate in the Shared Housing Program.	96,800	96,800
Non-interest bearing mortgage payable to Minnesota Housing Finance Agency, no payment due until maturity, April 2033, secured by real estate in the Shared Housing Program.	72,000	72,000
Non-interest bearing mortgage payable to Hennepin County Housing and Redevelopment Authority under the Affordable Housing Incentive Fund, no payment due until maturity, December 2040, secured by real estate in the Shared Housing Program.	177,000	177,000
Non-interest bearing mortgage payable to Hennepin County Housing and Redevelopment Authority under the Affordable Housing Incentive Fund, no payment due until maturity, July 2041, secured by real estate in the Shared Housing Program.	105,050	105,050
Non-interest bearing mortgage payable to Hennepin County Housing and Redevelopment Authority under the Affordable Housing Incentive Program, no payment due until maturity, June 2044, secured by real estate.	200,000	-
Non-interest bearing mortgage payable to Minnesota Housing Finance Agency under the Long-Term Homelessness Program, no payment due until maturity, May 2046, secured by real estate.	315,000	-
Total Deferred Loans	<u>\$2,772,146</u>	<u>\$2,257,147</u>

**COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 7 RELATED ORGANIZATIONS

The Organization and the following nonprofit corporations are considered related parties due to having certain members of their respective board of directors in common. The Organization also provides office space, working capital, and management support to the corporations as needed. The nonprofit corporations operate housing programs under programs administered by the Department of Housing and Urban Development.

- Kelly Apartments, Inc.
- Clear Spring Road Residences
- North Court Apartments
- Home Share

The nonprofit corporations paid \$178,683 and \$174,128 of management and maintenance fees to the Organization during the years ended December 31, 2016 and 2015, respectively. The nonprofit corporations owed the Organization for these services and start-up costs totaling \$846,628 and \$760,988 at December 31, 2016 and 2015, respectively.

NOTE 8 LEASE COMMITMENTS

Community Involvement Programs leases its administrative office under a noncancelable lease which expires in January 2019. The Organization leases facilities for the Day Training and Habilitation Centers under noncancelable leases that provide for annual cost adjustments based on a calculated percentage of the increase in the lessor's operating costs or a percentage increase based on per diem increases by Hennepin County. In addition to rent, the Organization pays utilities, repairs and insurance on the leased properties. These leases expire at various times through 2020.

The Organization also leases various vehicles and equipment under noncancelable operating leases which expire at various times through 2019.

Total rent expense under all leases was \$975,932 and \$1,022,150 for the years ended December 31, 2016 and 2015, respectively.

Minimum future rental payments required under the above mentioned leases are as follows:

Year Ending December 31,	Building Leases	Vehicles and Equipment	Total
2017	\$ 445,274	\$ 164,917	\$ 610,191
2018	443,020	106,637	549,657
2019	153,763	51,304	205,067
2020	17,646	15,094	32,740
Total	<u>\$ 1,059,703</u>	<u>\$ 337,952</u>	<u>\$ 1,397,655</u>

COMMUNITY INVOLVEMENT PROGRAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 RETIREMENT PLAN

The Organization has established a retirement plan under Section 403(b) of the Internal Revenue Code for its employees who meet certain age and service requirements. Employees can make elective deferrals to the plan. Employer contributions to the plan are at the discretion of the Board of Directors. The profit sharing expense for the years ended December 31, 2016 and 2015 was \$111,723 and \$109,674, respectively.

NOTE 10 REVENUE CONCENTRATION

The Organization receives a substantial amount of its revenue from the government. A significant reduction in the level from this source may have an effect on the Organization's ability to continue its programs and activities. Revenue from the government is 96% and 95% for the years ended December 31, 2016 and 2015, respectively.

NOTE 11 CLOSURE OF CDCS PROGRAM

On November 22, 2016, Community Involvement Programs notified the Minnesota Department of Human Services that CIP will discontinue providing CDCS services effective February 28, 2017. For the year ended December 31, 2016, this contract consisted of \$20,235,544 in revenue and expenses of \$20,209,107. The program operated in a very saturated marketplace, and management believed that continuing these services would require substantial technology investments to meet state and customer expectations. CIP strongly believes in families and individuals having self-directed services and will continue to advocate for person-centered services.

As a result of closing this program, the Organization ceased development of computer software related to the program of \$341,038 in 2016.

NOTE 12 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through April 11, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF CHANGES IN NET ASSETS BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	2016		
	Family Services	Personal Support	Employment and Community Supports
SUPPORT AND REVENUE			
Program Revenue	\$ 19,468,659	\$ 6,931,655	\$ 2,236,001
Grants and Donations	-	-	19,618
Fundraising Revenue (Net of Expense)	-	-	-
Management Fee Income	-	-	-
Interest Income	250	-	-
Other Income	35	-	512
Total Support and Revenue	<u>19,468,944</u>	<u>6,931,655</u>	<u>2,256,131</u>
OPERATING EXPENSES			
Salaries	14,235,331	4,942,965	1,077,871
Payroll Taxes	1,154,650	451,562	96,443
Employee Benefits	178,706	8,247	220,267
Total Personnel	<u>15,568,687</u>	<u>5,402,774</u>	<u>1,394,581</u>
Supplies	270,814	3,742	35,411
Occupancy	256,647	48,756	174,239
Maintanance Allocation	4,200	1,896	25,788
Equipment	45,765	2,171	11,390
Contract Services	2,562,442	28,675	11,689
Transportation	160,420	57,002	351,221
Staff Development	117,661	43,828	19,418
Bad Debt Expense	87,263	20,543	20,922
Other Expense	31,811	3,843	11,626
Depreciation Expense	24,119	9,853	22,237
Total Expense Before Administrative Allocations	<u>19,129,829</u>	<u>5,623,083</u>	<u>2,078,522</u>
Administrative Expense Allocation	<u>118,049</u>	<u>615,559</u>	<u>230,223</u>
Total Operating Expenses	<u>19,247,878</u>	<u>6,238,642</u>	<u>2,308,745</u>
Changes in Net Assets from Operations	221,066	693,013	(52,614)
Realized Gain (Loss) on Sale/Disposal of Property and Equipment	(298,112)	(42,926)	-
Unrealized Gain (Loss) on Unemployment Trust Deposits	-	-	-
Changes in Net Assets	<u>\$ (77,046)</u>	<u>\$ 650,087</u>	<u>\$ (52,614)</u>

See accompanying Independent Auditor's Report.

COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF CHANGES IN NET ASSETS BY PROGRAM – Continued
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	2016			Total Program Services
	Community Services	Case Management	Housing	
SUPPORT AND REVENUE				
Program Revenue	\$ 7,605,554	\$ 2,795,932	\$ 314,848	\$ 39,352,649
Grants and Donations	50	-	-	19,668
Fundraising Revenue (Net of Expense)	(13)	(355)	-	(368)
Management Fee Income	-	-	131,700	131,700
Interest Income	230	-	14	494
Other Income	9,857	316	(678)	10,042
Total Support and Revenue	<u>7,615,678</u>	<u>2,795,893</u>	<u>445,884</u>	<u>39,514,185</u>
OPERATING EXPENSES				
Salaries	4,631,783	1,642,361	236,906	26,767,217
Payroll Taxes	377,822	133,940	19,490	2,233,907
Employee Benefits	949,434	335,233	(460)	1,691,427
Total Personnel	<u>5,959,039</u>	<u>2,111,534</u>	<u>255,936</u>	<u>30,692,551</u>
Supplies	256,517	30,471	5,334	602,289
Occupancy	469,760	155,190	163,879	1,268,471
Maintanance Allocation	115,584	8,496	(155,964)	-
Equipment	26,081	17,250	7,381	110,038
Contract Services	44,551	5,730	29,033	2,682,120
Transportation	240,003	35,520	55,361	899,527
Staff Development	32,871	18,823	2,590	235,191
Bad Debt Expense	25,650	37,262	-	191,640
Other Expense	68,561	5,050	24,509	145,400
Depreciation Expense	128,176	7,359	119,004	310,748
Total Expense Before Administrative Allocations	<u>7,366,793</u>	<u>2,432,685</u>	<u>507,063</u>	<u>37,137,975</u>
Administrative Expense Allocation	812,813	297,388	28,686	2,102,718
Total Operating Expenses	<u>8,179,606</u>	<u>2,730,073</u>	<u>535,749</u>	<u>39,240,693</u>
Changes in Net Assets from Operations	(563,928)	65,820	(89,865)	273,492
Realized Gain (Loss) on Sale/Disposal of Property and Equipment	-	-	-	(341,038)
Unrealized Gain (Loss) on Unemployment Trust Deposits	-	-	-	-
Changes in Net Assets	<u>\$ (563,928)</u>	<u>\$ 65,820</u>	<u>\$ (89,865)</u>	<u>\$ (67,546)</u>

See accompanying Independent Auditor's Report.

COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF CHANGES IN NET ASSETS BY PROGRAM – Continued
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

	2016		
	Administrative	Fund Raising	Total
SUPPORT AND REVENUE			
Program Revenue	\$ 11,400	\$ -	\$ 39,364,049
Grants and Donations	1,065	19,640	40,373
Fundraising Revenue (Net of Expense)	-	13,782	13,414
Management Fee Income	46,983	-	178,683
Interest Income	1,617	-	2,111
Other Income	1,279	19	11,340
Total Support and Revenue	<u>62,344</u>	<u>33,441</u>	<u>39,609,970</u>
OPERATING EXPENSES			
Salaries	755,632	85,940	27,608,789
Payroll Taxes	78,384	7,279	2,319,570
Employee Benefits	187,315	16,946	1,895,688
Total Personnel	<u>1,021,331</u>	<u>110,165</u>	<u>31,824,047</u>
Supplies	73,732	1,666	677,687
Occupancy	262,219	3,043	1,533,733
Maintenance Allocation	-	-	-
Equipment	27,898	278	138,214
Contract Services	668,284	44,414	3,394,818
Transportation	(43,072)	558	857,013
Staff Development	79,336	1,857	316,384
Bad Debt Expense	-	-	191,640
Other Expense	68,159	370	213,929
Depreciation Expense	30,405	-	341,153
Total Expense Before Administrative Allocations	2,188,292	162,351	39,488,618
Administrative Expense Allocation	<u>(2,102,718)</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>85,574</u>	<u>162,351</u>	<u>39,488,618</u>
Changes in Net Assets from Operations	(23,230)	(128,910)	121,352
Realized Gain (Loss) on Sale/Disposal of Property and Equipment	20,884	-	(320,154)
Unrealized Gain (Loss) on Unemployment Trust Deposits	2,346	-	2,346
Changes in Net Assets	<u>\$ -</u>	<u>\$ (128,910)</u>	<u>\$ (196,456)</u>

See accompanying Independent Auditor's Report.

REPORTS REQUIRED BY OMB UNIFORM GUIDANCE

**COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF CHANGES IN NET ASSETS BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

	2015 Total
SUPPORT AND REVENUE	
Program Revenue	\$ 38,595,584
Grants and Donations	154,820
Fundraising Revenue (Net of Expense)	30,412
Management Fee Income	174,128
Interest Income	1,807
Other Income	27,410
Total Support and Revenue	38,984,161
 OPERATING EXPENSES	
Salaries	27,716,976
Payroll Taxes	2,506,067
Employee Benefits	1,850,446
Total Personnel	32,073,489
Supplies	668,447
Occupancy	1,546,692
Maintenance Allocation	-
Equipment	147,580
Contract Services	2,659,046
Transportation	977,308
Staff Development	313,386
Bad Debt Expense	169,851
Other Expense	264,612
Depreciation Expense	275,837
Total Expense Before Administrative	39,096,248
Administrative Expense Allocation	-
Total Operating Expenses	39,096,248
Changes in Net Assets from Operations	(112,087)
Realized Gain on Sale/Disposal of Property and Equipment	81,996
Unrealized Gain(Loss) on Unemployment Trust Deposits	(337)
Changes in Net Assets	\$ (30,428)

See accompanying Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
COMMUNITY INVOLVEMENT PROGRAMS
1600 Broadway Street NE
Minneapolis, MN 55413-2617

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Community Involvement Programs as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Community Involvement Programs basic financial statements, and have issued our report thereon dated April 17, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operations 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Community Involvement Program'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.

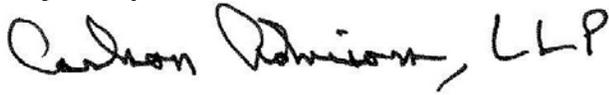
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Involvement Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 Community Involvement Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Involvement Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Carlson Advisors, LLP". The signature is written in a cursive, flowing style.

CARLSON ADVISORS, LLP
Minneapolis, Minnesota

April 17, 2017



Carlson Advisors

Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB UNIFORM GUIDANCE

Board of Directors
COMMUNITY INVOLVEMENT PROGRAMS
1600 Broadway Street NE
Minneapolis, MN 55413-2617

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Community Involvement Program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Involvement Program's major federal programs for the year ended December 31, 2016. Community Involvement Program'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 Community Involvement Program'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 Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Community Involvement Program'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 with each major program. However, our audit does not provide a legal determination of Community Involvement Program's compliance.

Opinion of Each Major Federal Program

In our opinion, Community Involvement Programs complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures did not disclose any material instances of noncompliance which are to be reported in accordance with the Uniform Guidance. Our opinion is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of Community Involvement Programs 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 Community Involvement Program's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 the Community Involvement Program's internal control over compliance.

A deficiency in internal control over compliance 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, 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

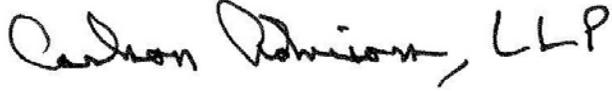
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

Report on Schedule of Expenditures of Federal Awards Required by OMB Uniform Guidance.

We have audited the financial statements of Community Involvement Programs as of and for the year ended December 31, 2016, and have issued our report there on dated April 17, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Carlson Advisors, LLP". The signature is written in a cursive, flowing style.

CARLSON ADVISORS, LLP
Minneapolis, Minnesota

April 17, 2017

**COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
HOME Program and Related Programs	14.239	\$ <u>2,257,147</u>
Total		\$ <u>2,257,147</u>

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community Involvement Programs, and is presented on the accrual basis of accounting. The beginning of the audit period balance of loans from previous years for which the federal government imposes continuing compliance requirements is \$2,257,147. The information in this schedule is presented in accordance with the requirements of OMB Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

**COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting: Unmodified

- Material weakness(es) identified? _____yes x none reported
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes x none reported

Noncompliance material to financial statements noted _____yes x none reported

Federal Awards

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

- Material weakness(es) identified? _____yes x none reported
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes x none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) _____yes x none reported

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
14.239	HOME Program

See accompanying Independent Auditor's Report.

**COMMUNITY INVOLVEMENT PROGRAMS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Auditee qualified as low-risk auditee? yes x no

Section II – Financial Statement Findings

Current Year:

None reported.

Prior Year:

None Reported.

Section III – Federal Award Findings and Questioned Costs

Current Year:

None reported.

Prior Year:

None Reported.

Section IV – State Award Findings and Questioned Costs

Current Year:

None reported.

Prior Year:

None Reported.

See accompanying Independent Auditor's Report.