

**CAPI USA**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2008 and 2007

*Carpenter Evert*  
Certified Public Accountants

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## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1
EXHIBIT A:     Statements of Activities and Changes in Net Assets – For the Years Ended December 31, 2008 and 2007.....	2
EXHIBIT B:     Statement of Functional Expense – For the Year Ended December 31, 2008 with Comparative Totals for 2007 .....	3
EXHIBIT C:     Statements of Financial Position – December 31, 2008 and 2007 .....	4
EXHIBIT D:     Statements of Cash Flows – For the Years Ended December 31, 2008 and 2007.....	5
NOTES TO FINANCIAL STATEMENTS.....	6-11

# Carpenter Evert

Certified Public Accountants

Minnesota Center • Suite 940

7760 France Avenue South

Bloomington, Minnesota 55435

952-831-0085 Fax 952-831-0792

## Independent Auditor's Report

Board of Directors  
CAPI USA  
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of CAPI USA as of December 31, 2008, and the related statements of activities and changes in net assets, functional expense and cash flows for the year 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. The financial statements of CAPI USA as of December 31, 2007, were audited by other auditors whose report dated July 28, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of CAPI USA as of December 31, 2008, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Minneapolis, Minnesota  
June 5, 2009

CAPI USA  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue:				
Contributions:				
Operating	\$ 256,840	\$ 118,629	\$ 417,741	\$ 158,036
Capital Campaign	425,695	54,017	81,995	633,005
United Way	41,845	16,750	40,000	-
Government Grants and Contracts	1,650,870	-	1,490,845	-
Program Service Fees	107,072	-	204,453	-
Investment Income	(833)	-	17,200	-
Miscellaneous Income	1,350	6,229	-	-
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	146,253	(146,253)	187,686	(187,686)
Satisfaction of Capital Campaign Restrictions	1,042,618	(1,042,618)	-	-
Satisfaction of Time Restrictions	70,000	(70,000)	-	-
Total Support and Revenue	3,741,710	(1,063,246)	2,439,920	603,355
Expense:				
Program Services	1,911,496	-	2,049,322	-
Support Services:				
Management and General	288,485	-	229,022	-
Fundraising	64,431	-	-	-
Total Support Services	352,916	-	229,022	-
Total Expense	2,264,412	-	2,278,344	-
Change in Net Assets	1,477,298	(1,063,246)	161,576	603,355
Net Assets - Beginning of Year	684,180	1,265,100	522,604	661,745
Net Assets - End of Year	\$ 2,161,478	\$ 201,854	\$ 684,180	\$ 1,265,100
				\$ 1,949,280

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

CAPI USA  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007

	Support Services				2007
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 995,904	\$ 168,799	\$ 49,168	\$ 217,967	\$ 1,213,871
Employee Benefits	161,141	27,059	7,882	34,941	196,082
Payroll Taxes	96,785	16,253	4,734	20,987	117,772
Total Personnel Costs	<u>1,253,830</u>	<u>212,111</u>	<u>61,784</u>	<u>273,895</u>	<u>1,527,725</u>
Participant Expense	327,517	-	-	-	327,517
Professional Fees	101,396	42,920	1,083	44,003	145,399
Occupancy	75,978	21,860	-	21,860	97,838
Travel	23,898	1,256	-	1,256	25,154
Office Expense	19,554	3,314	965	4,279	23,833
Miscellaneous	15,614	4,967	-	4,967	20,581
Staff and Volunteer Development	18,961	-	-	-	18,961
Telecommunications	12,136	2,057	599	2,656	14,792
Depreciation	62,612	-	-	-	62,612
Total Expense	<u>\$ 1,911,496</u>	<u>\$ 288,485</u>	<u>\$ 64,431</u>	<u>\$ 352,916</u>	<u>\$ 2,264,412</u>
					<u>\$ 2,278,344</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CAPI USA  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and Cash Equivalents	\$ 209,594	\$ 120,233
Inventory	-	5,646
Accounts Receivable	408,684	240,433
Pledges and Grants Receivable	9,700	345,200
Prepaid Expenses	11,695	44,546
Total Current Assets	<u>639,673</u>	<u>756,058</u>
Noncurrent Assets:		
Cash Restricted for Capital Campaign	-	852,864
Investments	-	103,790
Property and Equipment - Net	<u>1,920,084</u>	<u>514,953</u>
TOTAL ASSETS	<u>\$ 2,559,757</u>	<u>\$ 2,227,665</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Current Liabilities:		
Accounts Payable	\$ 48,235	\$ 31,158
Accrued Salaries and Payroll Withholding	30,164	80,636
Refundable Advances	26,488	26,488
Deferred Revenue	-	17,505
Current Portion of Notes Payable	2,454	31,004
Total Current Liabilities	<u>107,341</u>	<u>186,791</u>
Long-term Liabilities:		
Notes Payable	<u>89,084</u>	<u>91,594</u>
Total Liabilities	<u>196,425</u>	<u>278,385</u>
Net Assets:		
Unrestricted	2,161,478	684,180
Temporarily Restricted	201,854	1,265,100
Total Net Assets	<u>2,363,332</u>	<u>1,949,280</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,559,757</u>	<u>\$ 2,227,665</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

CAPI USA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 414,052	\$ 764,931
Total Adjustments	<u>233,674</u>	<u>(41,663)</u>
Net Cash Provided by Operating Activities	647,726	723,268
Cash Flows from Investing Activities:		
Cash Restricted for Capital Improvements	852,864	(631,814)
Purchases of Property and Equipment	(1,476,140)	(64,690)
Redemption of Investments	96,396	27,483
Reinvest Investment Earnings	<u>(425)</u>	<u>(2,848)</u>
Net Cash (Used) by Investing Activities	(527,305)	(671,869)
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	(114,768)	(49,402)
Proceeds from Issuance of Notes Payable	<u>83,708</u>	<u>-</u>
Net Cash (Used) by Financing Activities	(31,060)	(49,402)
Net Increase in Cash and Cash Equivalents	89,361	1,997
Cash and Cash Equivalents - Beginning of Year	<u>120,233</u>	<u>118,236</u>
Cash and Cash Equivalents - End of Year	<u>\$ 209,594</u>	<u>\$ 120,233</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
	<u>2008</u>	<u>2007</u>
Cash Paid for:		
Interest	<u>\$ 7,559</u>	<u>\$ 11,124</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

1. Summary of Significant Accounting Policies

Organizational Purpose

CAPI USA's basic mission is to assist immigrant families to settle into the community as contributing members of the community while maintaining their unique cultural heritage and values. Programs are designed to help adults, youth and children. CAPI USA's principal source of funding has been grants from governmental agencies, publicly funded agencies and local foundations

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to CAPI USA, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CAPI USA considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

CAPI USA carries its investments at market value.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

1. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Property and Equipment

All major expenditures for land, buildings, leasehold improvements and equipment are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, CAPI USA will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

1. Summary of Significant Accounting Policies (continued)

Income Tax

CAPI USA has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

2. Significant Concentrations of Credit Risk

CAPI USA provides services within the Twin Cities area. Grants and contributions receivable are from governments or institutions within the Twin Cities area.

3. Change in Accounting Error

Grants receivable and deferred revenue were incorrectly stated at December 31, 2007. The restated amounts are as follows:

	December 31, 2007 As Previously <u>Reported</u>	Net <u>Change</u>	December 31, 2007 <u>As Restated</u>
Grants Receivable	\$ 320,000	\$ 25,200	\$ 345,200
Deferred Revenue	-	17,505	17,505
Net Assets	1,941,585	7,695	1,949,280

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

4. Major Sources of Support and Revenue

Major sources of support and revenue were as follows as of December 31, 2008:

Hennepin County	\$ 925,960
State of Minnesota – Department of Human Services	581,645
Richard A. Newman Foundation	429,000
Minnesota Department of Health	<u>123,430</u>
	<u>\$2,060,035</u>

5. Property and Equipment

CAPI USA owned the following as of:

	December 31,		Estimated Useful Lives
	<u>2008</u>	<u>2007</u>	
Land	\$ 73,641	\$ 73,641	
Building	224,421	224,421	20-39 years
Building Improvements	1,604,515	249,145	20-39 years
Furniture and Equipment	237,257	94,317	5-10 years
Computers	26,342	26,342	3-5 years
Vehicles	26,209	26,209	3-5 years
Construction in Progress	<u>-</u>	<u>37,242</u>	
	2,192,385	731,317	
Less Accumulated Depreciation	<u>272,301</u>	<u>216,364</u>	
	<u>\$1,920,084</u>	<u>\$ 514,953</u>	

Depreciation expense of \$62,612 and \$38,151 was recorded for the years ended December 31, 2008 and 2007, respectively.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

6. Notes Payable

The breakdown of notes payable is as follows:

	December 31,	
	2008	2007
8.82% mortgage note payable to Western Bank. Payable in monthly amounts of \$2,005 including interest with the last payment due February 2008. Secured by land and building.	\$ -	\$ 88,957
7% mortgage note payable to Western Bank. Payable in monthly amounts of \$850 including interest with the final balloon payment due March 2013. Secured by land and building.	83,377	-
5% bridge loan payable to Otto Bremer Bank. Payable in annual payments of \$25,000 including interest with the last payment due May 2008.	-	25,000
4.10% special assessment loan payable to City of Minneapolis. Payable in semi-annual installments for 18 years.	<u>8,161</u>	<u>8,641</u>
	91,538	122,598
Less Portion Due Within One (1) Year	<u>2,454</u>	<u>31,004</u>
Long-term Portion	<u>\$ 89,084</u>	<u>\$ 91,594</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2009	\$ 2,454
2010	2,596
2011	2,749
2012	2,913
2013	75,065
2014 and succeeding years	<u>5,761</u>
Total	<u>\$ 91,538</u>

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

7. Refundable Advances

Refundable advances consisted of amounts related to the following grants as of:

	December 31,	
	2008	2007
Hennepin County	\$ 26,488	\$ 26,488

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	December 31,	
	2008	2007
Other Program Restrictions	\$ 77,000	\$ 47,729
Capital Campaign	60,246	1,102,864
Immigrant Social Services	45,450	62,980
Special Services	19,158	51,527
	\$ 201,854	\$1,265,100

9. In-kind Contributions

CAPI USA records in-kind contributions at fair market value at date of donation. In-kind contributions include the following as of:

	December 31,	
	2008	2007
Food	\$ 122,839	\$ 138,122
Training Facilities	-	25,000
	\$ 122,839	\$ 163,122

10. Leased Facilities

Rental commitments under noncancelable leases for office space in effect at December 31, 2008, total \$23,100. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2009	\$ 13,200
2010	9,900
	\$ 23,100

Rental expense was \$40,423 and \$61,474, for the years ended December 31, 2008 and 2007, respectively.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

11. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Depreciation	\$ 62,612	\$ 38,151
Loss on Sale of Equipment	8,397	-
Realized Loss on Investment	1,311	-
Unrealized (Gain) Loss on Investments	6,508	465
Increases (Decreases) in Current Liabilities:		
Accounts Payable	17,077	13,123
Accrued Salaries and Payroll Withholding	(50,472)	-
Deferred Revenue	(17,505)	17,505
Refundable Advance	-	26,488
Decreases (Increases) in Current Assets:		
Grants Receivable	335,500	(126,700)
Accounts Receivable	(168,251)	2,989
Inventory	5,646	-
Prepaid Expense	32,851	(13,684)
Total Adjustments	<u>\$ 233,674</u>	<u>\$ (41,663)</u>