

Annual Financial Report

Volunteers Enlisted to Assist People (a Nonprofit Organization)

Bloomington, Minnesota

For the Years Ended
December 31, 2019 and 2018

Volunteers Enlisted to Assist People
Table of Contents
December 31, 2019 and 2018

	<u>Page No.</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to the Financial Statements	11
Other Reports	
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 <i>Government Auditing Standards</i>	20
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	22
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	26



INDEPENDENT AUDITOR'S REPORT

Board of Directors, Volunteers Enlisted to Assist People
Bloomington, Minnesota

Reports on the Financial Statements

We have audited the accompanying financial statements of Volunteers Enlisted to Assist People (the Organization), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses 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 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 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 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 the Organization as of December 31, 2019 and 2018, 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

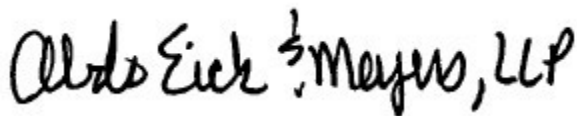
Supplementary Information in Relation to the Financial Statements as a Whole

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 18 - 24 and the accompanying schedule of expenditures of federal awards is presented, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for purposes of additional analysis 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2020, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 19, 2020

FINANCIAL STATEMENTS

Volunteers Enlisted to Assist People
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,298,724	\$ 793,420
Accounts receivable	18,263	38,015
Grants receivable, current	100,000	90,000
Pledges receivable, current	13,026	16,250
Inventories	312,471	245,848
Prepaid expenses	55,310	28,202
Total Current Assets	1,797,794	1,211,735
Property and Equipment		
Building and improvements	4,874,343	4,874,343
Land	342,600	342,600
Furniture and equipment	305,696	288,118
Vehicles	208,770	171,288
Total Property and Equipment, Cost	5,731,409	5,676,349
Less: Accumulated Depreciation	(1,149,894)	(976,629)
Total Property and Equipment, Net	4,581,515	4,699,720
Total Assets	\$ 6,379,309	\$ 5,911,455
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 41,536	\$ 35,467
Accrued payroll and related expenses	90,617	77,126
Accrued interest	2,606	2,696
Notes payable, current portion	140,018	136,150
Capital lease liability, current portion	6,418	2,981
Total Current Liabilities	281,195	254,420
Noncurrent Liabilities		
Notes payable, noncurrent portion, net of deferred financing costs of \$86,025 and \$90,976 in 2019 and 2018, respectively	3,682,493	3,817,567
Capital lease liability, noncurrent portion	11,037	1,911
Total Noncurrent Liabilities	3,693,530	3,819,478
Total Liabilities	3,974,725	4,073,898
Net Assets		
Net assets without donor restrictions	2,197,854	1,747,557
Net assets with donor restrictions	206,730	90,000
Total Net Assets	2,404,584	1,837,557
Total Liabilities and Net Assets	\$ 6,379,309	\$ 5,911,455

See Independent Auditor's Report and Notes to the Financial Statements.

Volunteers Enlisted to Assist People
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Foundation, corporation, civic and individual contributions	\$ 2,022,629	\$ 6,775	\$ 2,029,404	\$ 1,384,328	\$ -	\$ 1,384,328
In-kind contributions	6,783,750	-	6,783,750	6,558,199	-	6,558,199
Special events revenues, net of direct expenses of \$48,480 in 2019 and \$75,279 in 2018	108,975	99,955	208,930	131,797	-	131,797
Government grant revenue	1,762,539	100,000	1,862,539	783,253	90,000	873,253
Contract revenue	65,190	-	65,190	62,800	-	62,800
Rental income	385,716	-	385,716	376,404	-	376,404
Investment income	194	-	194	84	-	84
Miscellaneous income	13,768	-	13,768	11,171	-	11,171
Net assets released from restrictions	90,000	(90,000)	-	10,000	(10,000)	-
Total Support and Revenue	11,232,761	116,730	11,349,491	9,318,036	80,000	9,398,036
Expenses						
Program services	10,205,921	-	10,205,921	8,772,731	-	8,772,731
Support services						
Management and general	365,634	-	365,634	385,563	-	385,563
Fundraising	210,909	-	210,909	257,551	-	257,551
Total Support Services	576,543	-	576,543	643,114	-	643,114
Total Expenses	10,782,464	-	10,782,464	9,415,845	-	9,415,845
Change in Net Assets	450,297	116,730	567,027	(97,809)	80,000	(17,809)
Net Assets, January 1	1,747,557	90,000	1,837,557	1,845,366	10,000	1,855,366
Net Assets, December 31	\$ 2,197,854	\$ 206,730	\$ 2,404,584	\$ 1,747,557	\$ 90,000	\$ 1,837,557

See Independent Auditor's Report and Notes to the Financial Statements.

Volunteers Enlisted to Assist People
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services		Total
	Social Services	Food	Total Program Services	Management and General	Fundraising	
Salaries and Related Expenses						
Salaries and wages	\$ 309,634	\$ 339,599	\$ 649,233	\$ 219,740	\$ 129,847	\$ 998,820
Payroll taxes	27,946	30,650	58,596	19,832	11,719	90,147
Fringe benefits	38,195	41,806	80,001	27,052	16,025	123,078
Total Salaries and Related Expenses	<u>375,775</u>	<u>412,055</u>	<u>787,830</u>	<u>266,624</u>	<u>157,591</u>	<u>1,212,045</u>
Expenses						
Vehicle	-	10,531	10,531	-	-	10,531
Mileage	883	295	1,178	69	172	1,419
Membership	499	4,564	5,063	479	1,799	7,341
Food expense	-	1,869,960	1,869,960	-	-	1,869,960
Childcare expenses	1,900	7,986	9,886	-	-	9,886
In-kind donations	4,191	6,681,510	6,685,701	30,630	-	6,716,331
Client assistance	156,798	-	156,798	-	-	156,798
Insurance	5,394	48,987	54,381	5,143	3,200	62,724
Supplies	1,473	10,565	12,038	1,109	690	13,837
Printing	3,369	30,830	34,199	3,127	2,463	39,789
Professional fees	6,958	58,887	65,845	6,097	5,179	77,121
Continuing education	3,523	984	4,507	460	273	5,240
Recognition	5,873	6,392	12,265	4,168	2,464	18,897
Utilities	7,845	72,880	80,725	7,480	4,652	92,857
Building maintenance	9,514	85,547	95,061	8,856	5,515	109,432
Marketing	1,469	14,269	15,738	1,236	3,969	20,943
Equipment maintenance	54	154	208	16	11	235
Property and income tax expense	2,933	26,635	29,568	2,796	1,738	34,102
Interest expense	10,863	99,356	110,219	10,439	6,527	127,185
Bad debt expense	-	-	-	-	-	-
Other expense	3,597	10,555	14,152	2,667	5,707	22,526
Total Expenses Before Depreciation	<u>602,911</u>	<u>9,452,942</u>	<u>10,055,853</u>	<u>351,396</u>	<u>201,950</u>	<u>10,609,199</u>
Depreciation	<u>14,672</u>	<u>135,396</u>	<u>150,068</u>	<u>14,238</u>	<u>8,959</u>	<u>173,265</u>
Total Expenses	<u>\$ 617,583</u>	<u>\$ 9,588,338</u>	<u>\$ 10,205,921</u>	<u>\$ 365,634</u>	<u>\$ 210,909</u>	<u>\$ 10,782,464</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Volunteers Enlisted to Assist People
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services		Total
	Social Services	Food	Total Program Services	Management and General	Fundraising	
Salaries and Related Expenses						
Salaries and wages	\$ 180,796	\$ 343,512	\$ 524,308	\$ 235,035	\$ 144,637	\$ 903,980
Payroll taxes	15,042	28,580	43,622	19,555	12,034	75,211
Fringe benefits	23,518	44,685	68,203	30,573	18,815	117,591
Total Salaries and Related Expenses	<u>219,356</u>	<u>416,777</u>	<u>636,133</u>	<u>285,163</u>	<u>175,486</u>	<u>1,096,782</u>
Expenses						
Vehicle	-	13,331	13,331	-	(2,799)	10,532
Mileage	678	245	923	162	156	1,241
Membership	353	3,904	4,257	417	293	4,967
Food expense	-	793,748	793,748	-	25,321	819,069
Childcare expenses	3,800	21,569	25,369	-	-	25,369
In-kind donations	699	6,477,296	6,477,995	15,613	-	6,493,608
Client assistance	146,521	-	146,521	-	-	146,521
Insurance	4,349	48,142	52,491	5,145	4,298	61,934
Supplies	1,021	11,326	12,347	1,208	848	14,403
Printing	3,372	27,850	31,222	2,883	2,979	37,084
Professional fees	8,312	88,683	96,995	9,408	6,707	113,110
Continuing education	1,106	1,982	3,088	1,202	731	5,021
Recognition	2,773	5,532	8,305	3,605	2,218	14,128
Utilities	6,431	72,839	79,270	7,598	5,352	92,220
Building maintenance	6,266	71,029	77,295	8,914	5,295	91,504
Marketing	590	9,978	10,568	699	559	11,826
Equipment maintenance	-	-	-	-	-	-
Property and income tax expense	2,369	26,226	28,595	2,803	1,969	33,367
Interest expense	8,903	98,564	107,467	10,534	12,350	130,351
Bad debt expense	-	-	-	12,666	-	12,666
Other expense	2,029	10,716	12,745	2,460	5,195	20,400
Total Expenses Before Depreciation	<u>418,928</u>	<u>8,199,737</u>	<u>8,618,665</u>	<u>370,480</u>	<u>246,958</u>	<u>9,236,103</u>
Depreciation	12,749	141,317	154,066	15,083	10,593	179,742
Total Expenses	<u>\$ 431,677</u>	<u>\$ 8,341,054</u>	<u>\$ 8,772,731</u>	<u>\$ 385,563</u>	<u>\$ 257,551</u>	<u>\$ 9,415,845</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Volunteers Enlisted to Assist People
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 567,027	\$ (17,809)
Adjustment to reconcile change in net assets		
Depreciation	173,265	179,742
Amortization of loan costs	4,951	4,951
Bad debts	-	12,666
Change in donated inventory	(66,623)	(63,122)
Changes in assets:		
Accounts receivable	19,752	21,633
Grants receivable	(10,000)	(69,000)
Pledges receivable	3,224	33,951
Prepaid expenses	(27,108)	(9,196)
Changes in liabilities:		
Accounts payable	6,069	6,078
Accrued payroll and related expenses	13,491	2,316
Accrued interest	(90)	(89)
Net Cash Provided by Operating Activities	683,958	102,121
Cash Flows from Investing Activities		
Purchase of property and equipment	(37,482)	(35,955)
Cash Flows from Financing Activities		
Payments on capital lease liability	(5,015)	(2,695)
Principal payments on long term debt	(136,157)	(132,083)
Net Cash Used by Financing Activities	(141,172)	(134,778)
Change in Cash and Cash Equivalents	505,304	(68,612)
Beginning Cash and Cash Equivalents	793,420	862,032
Ending Cash and Cash Equivalents	\$ 1,298,724	\$ 793,420
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 127,185	\$ 130,351
Supplemental Disclosure of Non-cash Transactions		
Disposal of Fixed Assets	\$ -	\$ 9,680

See Independent Auditor's Report and Notes to the Financial Statements.

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Since 1973, Volunteers Enlisted to Assist People (VEAP) has provided low-income individuals and families experiencing food insecurity and housing instability with healthy food, financial assistance, and supportive services. VEAP serves the residents of Bloomington, Edina, Richfield, and a portion of south Minneapolis (south of 50th Street and west of Cedar Avenue). Fifty-eight percent of all households accessing services have a monthly income of \$1,999 or less (\$23,988 annually), and 48% have children under the age of 18 living in the home.

VEAP's Food and Basic Needs program provides access to healthy, fresh foods to households experiencing food insecurity. Services include an on-site food pantry, mobile food pantry, student weekend food packs, and nutrition education. Those with barriers can access food through pre-scheduled deliveries, a senior shuttle, and rides home from the on-site food pantry. VEAP's Social Services program provides caring, professional support to families experiencing food insecurity, high-risk of eviction or homelessness, and financial crisis. Services are designed to help households maintain housing stability and financial security and include housing advocacy, emergency rental assistance or deposits, transportation assistance, case management, resource navigation and referrals.

VEAP distributes over 4.3 million pounds of food to nearly 25,000 individuals and provides housing stability resources and financial assistance to nearly 2,000 individuals each year. VEAP relies on a dedicated corps of over 3,100 volunteers from individuals, faith-based organizations, businesses, schools, and civic groups to provide services to our community.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Classification of Net Assets

The accompanying financial statements have been prepared on the accrual basis of accounting with revenue being recorded when earned and expenditures recorded when the obligation is incurred or the benefits are received. Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time and those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets are reported as net assets released from restrictions.

D. 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.

E. Cash and Cash Equivalents

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

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

F. Accounts Receivable

Accounts receivable are reported at net realizable value. Management uses the allowance method of writing off uncollectible accounts and reviews accounts receivable periodically to determine collectability. Management believes all amounts to be collectible at December 31, 2019 and 2018, and no allowance for doubtful accounts was deemed necessary.

G. Pledges Receivable

Unconditional pledges are recorded as receivables in the year pledged. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted pledges to be collected in future periods also are recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due pledges receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by allowances that reflect management's estimate of uncollectible amounts. No allowance for doubtful accounts has been provided, since all contributions are considered to be collectible.

H. Inventories

Inventories consist of food, gift cards, and gift certificates. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

I. Revenue Recognition

Contributions:

Contributions are considered available for use without donor restrictions unless specifically restricted by the donor. Contributions received are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to VEAP are reported at fair value at the date the promise is received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grants:

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred or when the predetermined-rate services are performed. Amounts received in excess of expenses are reflected as grant funds received in advance.

J. Rental Income

Rental income is recognized when earned.

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

K. In-Kind Donations

VEAP has recorded in-kind contributions for food, food shelf items, professional expenses, and space used in operations on the statements of activities in accordance with financial accounting standards, which require that only contributions of goods or services received that create or enhance a nonfinancial asset or that require specialized skill by the individual possessing those skills and that would typically need to be purchased if not provided by donation be recorded.

In-kind contributions were \$6,783,750 and \$6,558,199 for the years ended December 31, 2019 and 2018, respectively. This includes food donations of \$6,748,827 and \$6,539,765 for the years ended December 31, 2019 and 2018, respectively.

In-kind contributions for the years ended December 31, 2019 and 2018 also included donated legal hours valued at \$560.24 and \$557.61 per hour, respectively, based on the rate charged by attorneys used by the Organization in an arms-length transaction.

	2019	2018
Donated Legal Hours	35	28
Estimated Value of Donated Legal Hours	\$ 19,553	\$ 15,613

No amounts have been reflected in the financial statements for donated volunteer services, since no specialized skills are required for these services. However, a substantial number of volunteers have donated significant amounts of their time in VEAP's program services.

As of December 31, 2019 and 2018, donated volunteer hours are valued at \$25.43 and \$24.69 per hour, respectively, which is based on studies provided by Independent Sector, a nonprofit organization that provides leadership to the nonprofit sector.

	2019	2018
Donated Hours	68,135	64,058
Estimated Value of Donated Hours	\$ 1,732,663	\$ 1,581,592

L. Property and Equipment

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, with a cost greater than \$5,000 and an estimated useful life of more than one year. VEAP reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, VEAP reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

M. Functional Allocation of Expenses

Functional expenses not directly incurred by a program are allocated between program and supporting services on a basis considered reasonable by management. Salaries and related benefits are allocated based on an annual time study of time devoted to the various programs.

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

N. Income Taxes

VEAP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, as such, is subject to federal income tax only on net unrelated business income. VEAP is also exempt from Minnesota state income tax.

VEAP is required to assess whether it is more likely than not, that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. VEAP has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

O. Subsequent Events

Subsequent events have been evaluated through May 19, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. This will materially impact the Organization's operations, and there is significant uncertainty around the duration of business disruptions related to COVID-19.

In April 2020, the Organization entered into a promissory note agreement with North American Banking Company in the amount of \$205,330, pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrues interest at 1 percent per annum, requires monthly payments beginning October 2020 and is scheduled to mature March 2022. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within eight weeks of receiving the funding.

Note 2: Concentration of Credit Risk

VEAP maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At certain times during the year, cash balances may be in excess of FDIC coverage. VEAP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 3: Pledges Receivable

The present values of the estimated realizable values of pledges receivable are recorded as assets and revenues in the statements of financial position and the statements of activities.

Pledges as of December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Pledges Receivable	\$ 13,026	\$ 16,250
Amounts due in:		
Less than one year	\$ 13,026	\$ 16,250

Pledges expected to be received over more than one year are recorded at their present value using a discount rate of 2.0% at December 31, 2019 and 2018.

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 4: Inventories

Inventories consisted of the following as of December 31:

	2019	2018
Food	\$ 309,127	\$ 242,548
Gift Cards	2,820	1,980
Gas Cards/Bus Tokens	524	1,320
Total	\$ 312,471	\$ 245,848

Note 5: Line of Credit

VEAP maintained a revolving commercial loan with North American Bank in the amount of \$250,000, with interest of prime rate plus .25% (prime at December 31, 2019, was 5.50%), but not lower than 4.50%. The note was amended in 2019 for a new maturity date of June 25, 2020. There were no outstanding balances at December 31, 2019 and 2018.

Note 6: Notes Payable

Notes payable consisted of the following at December 31:

	2019	2018
Refinanced mortgage payable of \$4.23 million to North American Banking Company with interest of 3.0%. Monthly payments of principal and interest are \$21,440 based on a 23-year amortization. A final payment of the unpaid balance is due on May 24, 2040. Collateralized by the property at 9600 Aldrich Avenue South, Bloomington, Minnesota.	\$ 3,908,536	\$ 4,044,693
Less: Unamortized debt issuance costs	(86,025)	(90,976)
Less: Current Portion	(140,018)	(136,150)
Long-term Note Payable	\$ 3,682,493	\$ 3,817,567

Future principal payments on mortgages as of December 31, 2019, were as follows:

Years Ending December 31,	Mortgage Payable	Deferred Financing	Total
2020	\$ 140,018	\$ 4,951	\$ 144,969
2021	144,668	4,951	149,619
2022	149,131	4,951	154,082
2023	153,730	4,951	158,681
2024	158,191	4,951	163,142
Thereafter	3,162,798	61,270	3,224,068
Total	\$ 3,908,536	\$ 86,025	\$ 3,994,561

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 7: Capital Lease Obligations

VEAP entered into a capital lease agreement for a copier machine. The lease calls for monthly payments of \$248, maturing September 2020. In April 2019, the Organization entered into a new lease agreement for a copier machine. The lease calls for monthly payments of \$359, maturing March 2024.

Property held under capital lease obligations at December 31 was as follows:

	2019	2018
Cannon Copier Machine	\$ 13,225	\$ 13,225
RICOH Copier Machine	17,578	-
Total Property Held Under Capital Leases	30,803	13,225
 Accumulated depreciation	 (13,878)	 (8,596)
Property Held Under Capital Leases, Net	\$ 16,925	\$ 4,629

Debt service requirements at December 31, 2019, were as follows:

Years Ending December 31,	Amount
2020	\$ 6,418
2021	4,308
2022	4,308
2023	4,308
2024	1,077
Total Minimum Lease Payments	20,419
Imputed Interest	(2,964)
 Net Present Value of Capital Leases	 17,455
Current Maturity of Capital Leases	(6,418)
 Long-term Capital Lease Obligations	 \$ 11,037

Note 8: Lessor Activity

VEAP began leasing a portion of the building located at 9600 Aldrich Avenue, Bloomington, Minnesota, to Hennepin County (the "County") in December 2013. The lease is a 10-year agreement and provides for a termination option after seven years by delivering at least 270 days' prior written notice to VEAP.

The County has also agreed to pay its share of the cost of the common space. The total cost of the common space was \$92,441 and \$86,371 for the years ended December 31, 2019 and 2018, respectively. The County's share of the cost is based on \$3.50 per annum per net rentable square foot of the exclusive space and 50% of the shared space.

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 8: Lessor Activity (Continued)

As of December 31, 2019, noncancelable minimum lease payments are as follows:

Years Ending December 31,	Amount
2020	\$ 233,725
2021	236,014
2022	238,480
2023	240,770
Total	\$ 948,989

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Housing	\$ 99,955	\$ -
Food	50,000	-
Social services	50,000	-
General	6,775	90,000
Total	\$ 206,730	\$ 90,000

Note 10: Retirement Plan

VEAP maintains a 401(k) plan covering all eligible employees. The plan allows employees to defer compensation, and VEAP can elect to make discretionary contributions as determined by the Board of Directors. Since inception of the plan, the Board of Directors has authorized discretionary contributions of 5% of employees' compensation. Discretionary contributions were \$56,077 and \$43,347 for the years ended December 31, 2019 and 2018, respectively.

Note 11: Liquidity

The Organization's Board of Directors has approved and monitors a comprehensive set of policies which govern the responsibilities and limitations of executive management. In turn, management routinely monitors liquidity and cash reserves which fund operations and program service delivery in accordance with these board established policies. Additionally, liquidity measures are tracked and provided to the board of directors as part of its regular reporting cycle and to funders as requested. Management generally plans to have cash available in an amount to fund three to six months of operations, as well as pending capital improvements.

Volunteers Enlisted to Assist People
Notes to the Financial Statements
December 31, 2019 and 2018

Note 11: Liquidity (Continued)

The Organization's liquid financial assets available to meet cash needs for general expenditures within one year are summarized as follows:

	2019	2018
Cash and Cash Equivalents	\$ 1,298,724	\$ 793,420
Accounts Receivable	18,263	38,015
Grants Receivable	100,000	90,000
Pledges Receivable	13,026	16,250
Total Financial Assets	1,430,013	937,685
Less: Net assets with donor restrictions	(99,954)	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,330,059	\$ 937,685

OTHER REPORTS



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
Volunteers Enlisted to Assist People
Bloomington, Minnesota

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 Volunteers Enlisted to Assist People (the Organization) which comprise the statement of financial position as of and for the years ended December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

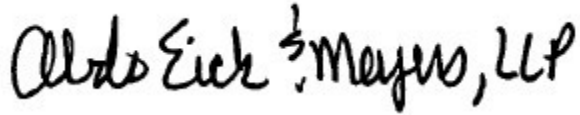
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aldo Eick & Meyers, LLP". The signature is written in a cursive, slightly slanted style.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 19, 2020



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

Board of Directors
Volunteers Enlisted to Assist People
Bloomington, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Volunteers Enlisted to Assist People's (the Organization), (a Minnesota not-for-profit corporation), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization'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 federal statutes, regulations, contracts, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

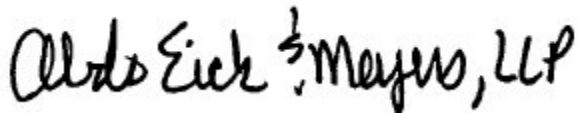
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 19, 2020

Volunteers Enlisted to Assist People
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor/Program Title Pass-Through Grantor/Pass-Through Entity Identifying Number	Federal Domestic Assistance Number	Pass-Through Identification Number	Pass- Through Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through The Food Group:			
Emergency Food Assistance Program (Food Commodities)	10.569	None Noted	\$ 1,692,658
U.S. Department of Homeland Security:			
Passed-Through the United Way of Minneapolis Area:			
Emergency Food and Shelter National Board Program	97.024	None Noted	<u>7,592</u>
Total Federal Expenditures			<u><u>\$ 1,700,250</u></u>

Volunteers Enlisted to Assist People
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2019 and 2018

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, and *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2: Pass-Through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 3: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 4: Indirect Cost Rate

During the year ended December 31, 2019, the Organization did not elect to use the 10% de minimis indirect cost rate.

Volunteers Enlisted to Assist People
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

**Federal
CFDA
Number**

Identification of Major Federal Programs:

Emergency Food Assistance Program	10.569
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

Section II - Findings - Financial Statement Audit

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Other Issues

The Summary Schedule of Prior Audit Findings is not required because there were no prior year audit findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.