

**COMMUNITY EMERGENCY SERVICE, INC.
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

COMMUNITY EMERGENCY SERVICE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Emergency Service, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of Community Emergency Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Community Emergency Service, Inc.
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Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Community Emergency Service, Inc. as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Emergency Service, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Minneapolis, Minnesota
May 24, 2018

COMMUNITY EMERGENCY SERVICE, INC.

STATEMENTS OF FINANCIAL POSITION

March 31, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 363,955	\$ 386,718
Accounts receivable	82,280	71,342
Grants and contributions receivable	11,874	70,441
Current portion of note receivable (Note 2)	10,640	10,300
Inventory	58,404	67,922
Prepaid expenses	10,816	10,082
Total Current Assets	537,969	616,805
Property and Equipment, net (Note 3)	723,701	739,212
Other Asset		
Note Receivable, net (Note 2)	36,063	46,703
TOTAL ASSETS	\$ 1,297,733	\$ 1,402,720
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 48,501	\$ 46,123
Accrued payroll and payroll taxes	40,897	37,533
Total Current Liabilities	89,398	83,656
Net Assets		
Unrestricted:		
Designated (Note 4)	100,755	52,106
Undesignated	1,067,416	1,108,218
Total Unrestricted Net Assets	1,168,171	1,160,324
Temporarily restricted (Note 4)	40,164	158,740
Total Net Assets	1,208,335	1,319,064
TOTAL LIABILITIES AND NET ASSETS	\$ 1,297,733	\$ 1,402,720

See Notes to Financial Statements

COMMUNITY EMERGENCY SERVICE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2018

With Comparative Totals for the Year Ended March 31, 2017

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
Support and Revenues				
Food contributed	\$ 1,027,320	\$ -	\$ 1,027,320	\$ 1,089,708
Grants and contributions	770,894	28,955	799,849	963,735
Meal reimbursement	572,140	-	572,140	524,182
Other in-kind contributions	19,358	-	19,358	36,670
Interest	2,082	-	2,082	2,029
Net Assets Released From Restrictions	147,531	(147,531)	-	-
Total Support and Revenues	2,539,325	(118,576)	2,420,749	2,616,324
Functional Expenses				
Program services	2,111,725	-	2,111,725	2,055,596
General and administrative	207,483	-	207,483	189,828
Fundraising	212,270	-	212,270	205,558
Total Functional Expenses	2,531,478	-	2,531,478	2,450,982
Increase (Decrease) in Net Assets	7,847	(118,576)	(110,729)	165,342
NET ASSETS, BEGINNING OF YEAR	1,160,324	158,740	1,319,064	1,153,722
NET ASSETS, END OF YEAR	\$ 1,168,171	\$ 40,164	\$ 1,208,335	\$ 1,319,064

See Notes to Financial Statements

COMMUNITY EMERGENCY SERVICE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2018

With Comparative Totals for the Year Ended March 31, 2017

	Program Services	General & Administrative	Fundraising	Totals	
				2018	2017
Food	\$ 1,487,656	\$ -	\$ -	\$1,487,656	\$1,499,233
Salaries	355,718	100,787	136,359	592,864	509,759
Depreciation	46,177	8,112	8,112	62,401	58,408
Payroll taxes	31,363	8,886	12,023	52,272	41,175
Professional fees	11,258	10,768	26,921	48,947	42,848
Health and life insurance	23,654	21,289	2,365	47,308	51,550
Office expense	14,635	18,817	8,363	41,815	46,412
Utilities	25,212	4,727	1,576	31,515	29,858
Community service	29,559	-	-	29,559	21,953
General insurance	14,463	13,016	1,446	28,925	31,587
Supplies	17,717	2,215	2,214	22,146	27,752
Information technology	13,244	3,311	5,518	22,073	28,666
Repairs and maintenance	11,369	9,302	-	20,671	10,525
Charity care	9,237	-	-	9,237	9,570
Retirement plan	5,349	1,516	2,050	8,915	8,553
Postage	2,475	2,475	3,300	8,250	7,156
Miscellaneous	6,515	1,629	-	8,144	4,085
Auto expense	3,497	-	388	3,885	5,130
Property tax	1,578	296	98	1,972	1,720
Advertising	-	299	1,195	1,494	1,720
Events	380	38	342	760	11,756
Client services	669	-	-	669	1,566
TOTAL FUNCTIONAL EXPENSES	\$ 2,111,725	\$ 207,483	\$ 212,270	\$2,531,478	\$2,450,982

See Notes to Financial Statements

COMMUNITY EMERGENCY SERVICE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (110,729)	\$ 165,342
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	62,401	58,408
(Increase) decrease in donated inventory	9,518	(16,006)
Contributed property and equipment	(1,600)	(4,616)
(Increase) Decrease in:		
Accounts receivable	(10,938)	(6,096)
Grants and contributions receivable	58,567	(20,441)
Prepaid expenses	(734)	(454)
Increase (Decrease) in:		
Accounts payable	2,378	(61)
Accrued payroll and payroll taxes	3,364	6,934
Net Cash Provided By Operating Activities	<u>12,227</u>	<u>183,010</u>
Cash Flows From Investing Activities		
Repayment of note receivable	10,300	9,971
Expenditures for property and equipment	<u>(45,290)</u>	<u>(9,950)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(34,990)</u>	<u>21</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(22,763)	183,031
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>386,718</u>	<u>203,687</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 363,955</u>	<u>\$ 386,718</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash investing and financing transactions:		
Additions to property and equipment		
Cost of property and equipment	\$ 45,290	\$ 14,566
In-kind contributions of property and equipment	<u>(1,600)</u>	<u>(4,616)</u>
Expenditures for property and equipment	<u>\$ 43,690</u>	<u>\$ 9,950</u>

See Notes to Financial Statements

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Community Emergency Service, Inc. (the Organization) is a Minnesota non-profit corporation, which provides assistance to low income and very diverse people in North Minneapolis, the Phillips and Loring Nicollet neighborhoods of Minneapolis, as well as South Minneapolis. Services include the daily operations of a Food Shelf, free grocery delivery to low income home-bound people, and daily prepared hot meals delivered to homebound seniors. The Organization also provides emergency assistance as needed to families and individuals in crisis as well as needs assessment and referrals to other organizations.

The Organization receives support in the form of food, money and services from local individuals, churches, organizations and foundations. Grants are also received from governmental and nonprofit agencies.

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets as of March 31, 2018 and 2017.

Basis of Accounting and Support and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting. All income and expenses are recorded as they are earned or incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts, Grants and Contributions Receivable

Accounts, grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of clients, providers, donors and grantors having outstanding balances, it has concluded that realization losses on balances outstanding at year end will be immaterial. Therefore, no valuation allowance is maintained for these receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off. All receivables are expected to be collected within one year of the statement of financial position date.

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists primarily of contributed food products. Inventory received and disbursed is valued at \$2.00 per pound in the statement of activities for both the years ended March 31, 2018 and 2017.

Property and Equipment

Property and equipment is carried at the lower of cost or fair value at the time of donation (for in-kind contributions of equipment) and is being depreciated using the straight-line method over the estimated useful lives of three to forty years. The Organization's policy is to capitalize and depreciate property and equipment which has a cost in excess of \$1,000 and an estimated useful life of at least one year.

Donated Food and Supplies

Donated food and hygiene supplies are recorded as contributions at \$2.00 per pound, all other items are recorded at fair value. The value of the donations is recognized as both revenue and an expense to the Organization. During the years ended March 31, 2018 and 2017, the Organization recognized ~~\$1,027,320~~ and \$1,089,708 of donated food and hygiene supplies and \$19,358 and \$27,220 of other donated items, respectively.

Donated Services

Donated services are recognized as contributions if the services: create or enhance nonfinancial assets; or required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognized \$9,450 of donated services during the year ended March 31, 2017. A number of volunteers have donated significant time to the Organization's program services which have not been reflected in the accompanying financial statements since the recognition criteria were not met.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

When a 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.

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization does not pay federal income tax. Therefore no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended March 31, 2018 and 2017 was \$1,494 and \$1,720, respectively.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments.

Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization keeps its cash and cash equivalents with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. The Organization had cash balances which were not federally insured of approximately \$114,000 and \$85,000 as of March 31, 2018 and 2017, respectively.

Management routinely assesses the financial strength of its customers and donors and as a consequence, believes that receivables credit risk exposure is limited.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative financial information in total but not net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the presentation used in the 2018 financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 24, 2018, the date the financial statements were available to be issued.

Accounting Pronouncements Issued But Not Yet Effective

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. However, contribution revenue is not included in the scope of the guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for the Organization for the year ending March 31, 2020. The guidance permits the use of either a retrospective or cumulative effect transition method. The impact of the adoption of this pronouncement has not yet been determined.

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Issued But Not Yet Effective (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Organization for the year ending March 31, 2019. Entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. The impact of the adoption of this pronouncement has not yet been determined.

2. Note Receivable

A note receivable was transferred to the Organization from Augustana Lutheran Church. The note had been received by the Church in association with their sale of their church building to a neighboring congregation. The note receivable had an original amount due of \$120,000 with payments of \$1,000 due monthly through maturity, May 1, 2022. The note is a noninterest bearing note and as such has been discounted by the Organization to reflect an effective interest rate of 3.25%. The note is secured by a building located in Minneapolis.

	2018	2017
Note receivable balance	\$ 50,000	\$ 62,000
Less: Discount to present value	(3,297)	(4,997)
Total Note Receivable, net of discount	46,703	57,003
Less: Current portion	(10,640)	(10,300)
Note Receivable, net of current portion	\$ 36,063	\$ 46,703

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Note Receivable (Continued)

Future payments to be received from the note receivable as of March 31, 2018 are as follows:

<u>Year Ending March 31,</u>	<u>Totals</u>
2019	\$ 12,000
2020	12,000
2021	12,000
2022	12,000
2023	2,000
Total	<u>\$ 50,000</u>

3. Property and Equipment

Property and equipment as of March 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Building	\$ 795,286	\$ 762,132
Land	73,603	73,603
Vehicles	68,355	68,355
Furniture and fixtures	81,240	67,504
Total	<u>1,018,484</u>	<u>971,594</u>
Less: Accumulated Depreciation	<u>294,783</u>	<u>232,382</u>
Property and equipment, net	<u>\$ 723,701</u>	<u>\$ 739,212</u>

Depreciation expense for the years ended March 31, 2018 and 2017 was \$62,401 and \$58,408, respectively.

COMMUNITY EMERGENCY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Net Assets

Board Designated

The Organization's Board of Directors had designated \$100,755 and \$52,106 of unrestricted net assets as reserves as of March 31, 2018 and 2017.

Temporarily Restricted

Temporarily restricted net assets as of March 31, 2018 and 2017 consisted of the following:

	2018	2017
Time restrictions	\$ 11,874	\$ 70,441
Purpose restrictions	28,290	88,299
Total Temporarily Restricted Net Assets	<u>\$ 40,164</u>	<u>\$ 158,740</u>

Net assets in the amount of \$147,531 and \$37,500 were released from restriction for the years ended March 31, 2018 and 2017, respectively, by the donor or meeting the donor's time restriction requirements.

5. Retirement Plans

The Organization, as of January 1, 2018, maintains a 401(k) profit sharing plan under which eligible employees may defer a portion of their salaries. The Organization matches 100% of the first 2% of each participant's deferral. The Organization contributed \$1,981 to the 401(k) plan for the year ended March 31, 2018. The Organization may make discretionary profit sharing contributions to the plan. There was, however, no profit sharing contribution for the year ended March 31, 2018.

The Organization maintained a Simple IRA retirement plan through December 31, 2017. The plan covered all of the Organization's employees who have met certain eligibility requirements. Under a Simple IRA plan, employees could make contributions to traditional Individual Retirement Arrangements (IRAs), subject to certain statutory limits. The Organization contributes 2% of each qualified employee's salary. The Organization contributed \$6,934 and \$8,553 to the Simple IRA plan for the years ended March 31, 2018 and 2017, respectively.

May 24, 2018

To the Board of Directors of
Community Emergency Service, Inc.
1900 11th Avenue South
Minneapolis, Minnesota 55404

We have audited the financial statements of Community Emergency Service, Inc. for the year ended March 31, 2018, and have issued our report thereon dated May 24, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 9, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Community Emergency Service, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

The estimate of the functional allocation of expenses is based on an estimate of time spent working on certain activities. We evaluated the key factors and assumptions used to develop the functional allocation of expenses in determining that it is reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, with the exception of our bookkeeping entries, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of board of directors and management of Community Emergency Service, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

To the Board of Directors and Management of
Community Emergency Service, Inc.
1900 11th Avenue South
Minneapolis, Minnesota 55404

In planning and performing our audit of the financial statements of Community Emergency Service, Inc. as of and for the year ended March 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Community Emergency Service, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Community Emergency Service, Inc.'s internal control to be significant deficiencies:

Segregation of Duties

We noted that due to the nature and size of the Organization, proper segregation of duties is not always maintained. Management should attempt to segregate duties that are incompatible from an internal control standpoint (e.g. cash receipts, preparation of deposits, depositing cash to bank, receiving bank statements, reconciling bank accounts, reviewing reconciliations, disbursing cash, etc.

This communication is intended solely for the information and use of management, board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Minneapolis, Minnesota
May 24, 2018