

Financial Statements

Tri-County Community Action Partnership, Inc.
(a Nonprofit Organization)

Little Falls, Minnesota

For the Years Ended
September 30, 2018 and 2017

Tri-County Community Action Partnership, Inc.
Table of Contents
September 30, 2018 and 2017

	<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>	17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19
Schedule of Expenditures of Federal Awards	21
Notes to the Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23
Corrective Action Plan	25
Summary Schedule of Prior Audit Findings	26



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Community Action Partnership, Inc.
Little Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Community Action Partnership, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of September 30, 2018 and 2017 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 audit. 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 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 September 30, 2018 and 2017 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.

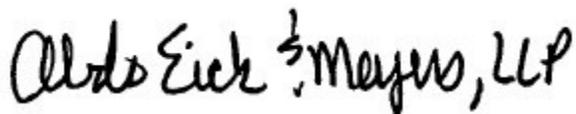
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019, on our consideration the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 21, 2019

FINANCIAL STATEMENTS

Tri-County Community Action Partnership, Inc.
 Statements of Financial Position
 September 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 938,390	\$ 779,442
Grants and contracts receivable	262,753	411,200
Accounts receivable	53,162	70,582
Prepaid expenses	85,202	82,330
Accrued receivable	7,011	57,940
Total Current Assets	1,346,518	1,401,494
Property and Equipment, Net	522,852	535,979
Total Assets	\$ 1,869,370	\$ 1,937,473
Liabilities and Net Assets		
Current Liabilities		
Current portion of notes payable, bank	\$ 19,623	\$ 18,929
Accounts payable	136,765	214,392
Accrued expenses	340,565	333,251
Total Current Liabilities	496,953	566,572
Notes Payable, Bank	461,969	481,944
Total Liabilities	958,922	1,048,516
Net Assets		
Unrestricted:		
Undesignated	69,111	121,087
Designated for property and equipment	64,257	64,257
Designated for revolving loan fund	106,577	465,195
Designated for reserve	384,255	-
Designated for employee's annual/medical accruals	253,803	238,418
Temporarily Restricted Net Assets:	32,445	-
Total Net Assets	910,448	888,957
Total Liabilities and Net Assets	\$ 1,869,370	\$ 1,937,473

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

Tri-County Community Action Partnership, Inc.
 Statements of Activities
 For the Years Ended September 30, 2018 and 2017

	2018	2017
Unrestricted Public Support and Revenue		
Unrestricted Revenue and Gains		
Government grants and contracts	\$ 8,260,153	\$ 7,701,248
Other contracts	409,943	196,316
Client loan services	10,267	15,653
Investment income	951	1,182
Other revenue	49,615	1,806
Gain (loss) on disposal of assets	-	(82,815)
Contributions	7,806	-
Total Unrestricted Public Support and Revenue	8,738,735	7,833,390
Expenses		
Program services	7,157,367	6,982,625
Supporting services		
Management and general	1,559,877	901,048
Total Expenses	8,717,244	7,883,673
Change in Net Assets	21,491	(50,283)
Net Assets, Beginning	888,957	939,240
Net Assets, Ending	\$ 910,448	\$ 888,957

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

Tri-County Community Action Partnership, Inc.
 Statements of Functional Expenses
 For the Years Ended September 30, 2018 and 2017

	2018		Total
	Program Services	Supporting Services Management and General	
Salaries and benefits	\$ 4,393,168	\$ 947,202	\$ 5,340,370
Consultants	34,820	72,084	106,904
Depreciation and amortization	104,259	25,457	129,716
Occupancy	210,314	267,956	478,270
Insurance	37,864	8,881	46,745
Client food services	161,730	210	161,940
Client housing services	1,032,265	-	1,032,265
Client child care services	374,803	-	374,803
Client health services	31,623	5,694	37,317
Client transportation services	272,840	3,650	276,490
Client children services	92,618	11	92,629
Client loan services	1,039	1,405	2,444
Dues and licenses	5,964	38,666	44,630
Meetings	887	5,521	6,408
Miscellaneous	7,825	278	8,103
Supplies	203,505	114,830	318,335
Training	52,553	46,677	99,230
Travel	139,290	21,355	160,645
Total Expenses	\$ 7,157,367	\$ 1,559,877	\$ 8,717,244

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

Tri-County Community Action Partnership, Inc.
 Statements of Functional Expenses (Continued)
 For the Years Ended September 30, 2018 and 2017

	2017		Total
	Program Services	Supporting Services Management and General	
Salaries and benefits	\$ 3,945,060	\$ 794,683	\$ 4,739,743
Consultants	206,898	14,993	221,891
Depreciation and amortization	206,733	18,097	224,830
Occupancy	505,978	19,874	525,852
Insurance	40,856	1,878	42,734
Client food services	152,530	76	152,606
Client housing services	779,296	4,138	783,434
Client child care services	278,259	13,204	291,463
Client health services	23,236	1,268	24,504
Client transportation services	243,863	871	244,734
Client children services	99,187	1,055	100,242
Client loan services	12,528	-	12,528
Dues and licenses	36,525	2,573	39,098
Meetings	1,641	147	1,788
Miscellaneous	-	-	-
Supplies	166,350	16,549	182,899
Training	143,475	7,273	150,748
Travel	140,210	4,369	144,579
Total Expenses	\$ 6,982,625	\$ 901,048	\$ 7,883,673

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

Tri-County Community Action Partnership, Inc.
 Statements of Cash Flows
 For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 21,491	\$ (50,283)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	129,716	224,830
Loss on disposal of property and equipment	-	82,815
Change in current assets and liabilities		
Grants and contracts receivable	148,447	(19,084)
Accounts receivable	17,420	(23,034)
Prepaid expenses	(2,872)	1,905
Accrued receivables	50,929	26,985
Accounts payable	(77,627)	1,252
Accrued expenses	7,314	25,243
Deferred Revenue	-	-
Net Cash Provided (Used) by Operating Activities	294,818	270,629
Cash Flows from Investing Activities		
Purchase of property and equipment	(116,589)	(254,409)
Cash Flows from Financing Activities		
Principal payments on notes payable, bank	(19,281)	(18,259)
Net Cash Used by Financing Activities	(19,281)	(18,259)
Decrease in Cash and Cash Equivalents	158,948	(2,039)
Cash and Cash Equivalents, Beginning	779,442	781,481
Cash and Cash Equivalents, Ending	\$ 938,390	\$ 779,442
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 18,842	\$ 18,382
Income taxes	\$ -	\$ -
Supplemental Disclosure of Non-cash Transactions		
Disposal of fully depreciated fixed assets	\$ 221,198	\$ 686,284

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

Tri-County Community Action Partnership, Inc.
Notes to the Financial Statements
September 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Tri-County Community Action Partnership, Inc. (the Organization) was incorporated in September 1965. The mission of the Organization is to promote economic self-sufficiency of individuals and families experiencing poverty in Todd, Morrison and Crow Wing Counties of Minnesota. The resources provided are primarily through grants from the Federal Health and Human Services Head Start program and the Minnesota Department of Human Services.

Significant programs of the Organization include:

Housing and Weatherization Program – The Housing and Weatherization Program reduces energy costs by providing energy saving improvements installed by insured, trained contractors for eligible low-income households. A component of the Housing and Weatherization Program, the Minnesota Housing Finance Agency (MHFA) provides funding which enables local contractors and building supply centers to perform essential repairs. Revenues for this program totaled \$1,321,720 or approximately 12% of total support and revenue for the year ended September 30, 2018.

Head Start Program – The Head Start Program provides child development activities in a classroom setting to eligible low-income families with children from prenatal to kindergarten. The home-based program also provides child development activities in a combination of home and classroom settings. Revenues for this program totaled \$8,789,674 or approximately 83% of total support and revenue for the year ended September 30, 2018.

Economic Development Program – The Economic Development Program is a program to assist eligible low-income recipients in starting their own businesses and becoming self-sufficient through commitment and hard work. This program includes comprehensive business management training with an emphasis on “bottom line” decision-making, assistance in realistic evaluation of business potential, access to start-up financing, and problem solving support network.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are those resources over which the Organization has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time. The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same fiscal year, as unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets as of September 30, 2018 and 2017

Tri-County Community Action Partnership, Inc.
Notes to the Financial Statements
September 30, 2018 and 2017

Note 1: 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 reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Grants and Contracts Receivable

Grants and contracts receivable are amounts outstanding under government reimbursement grants and contract agreements. No allowance for uncollectible amounts has been estimated as management expects to collect the outstanding balances.

Accounts Receivable

Accounts receivable are amounts owed to the Organization from nongovernment grantors. No allowance for uncollectible amounts has been estimated as management expects to collect the outstanding balances.

Accrued Receivable

Accrued receivable consists of an estimate for future telephone credits for telephone expenses that occurred during the fiscal year.

Property and Equipment

Property and equipment with an initial cost of \$5,000 or more are reported on the statements of financial position and are stated at cost or fair market value at the date of acquisition or donation. Depreciation is computed using appropriate straight-line methods over estimated useful lives ranging from 5 to 30 years.

The property and equipment acquired is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the funding sources have a reversionary interest in the property and equipment purchased with grant funds; its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

Public Support and Revenue

The Organization receives substantially all of its grant and contract revenue from government reimbursement or fee for service agreements. Client auto loan services revenue is recognized when collected amounts are received.

In-kind Contributions

The Organization receives a significant amount of donated services from unpaid volunteers who assist in programs. No amounts have been recognized because the criteria for recognition under ASC Subtopic 958-605 Not-for-Profit Entities Revenue Recognition have not been satisfied.

Advertising

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2018 and 2017 were \$124,591 and \$2,124, respectively.

Tri-County Community Action Partnership, Inc.
Notes to the Financial Statements
September 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Under FASB ASC 740-10-50 the Organization estimates that it has no tax liability for uncertain tax positions and that this estimate will not change significantly during 2016. The Organization recognizes potential accrued interest and penalties pertaining to income tax related issues, if any, as an income tax expense. During 2018 and 2017, no penalties and interest were recorded. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed.

Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through March 21, 2019, the date the financial statements were available to be issued.

Note 2: Property and Equipment

The Organization's property and equipment at September 30, 2018 and 2017 is comprised of the following:

	2018	2017
Land	\$ 112,310	\$ 112,310
Buildings	3,280,482	3,280,482
Furniture and Equipment	1,744,930	1,849,539
Less: Accumulated Depreciation	(4,614,870)	(4,706,352)
Total	\$ 522,852	\$ 535,979

Depreciation and amortization expense for the years ended September 30, 2018 and 2017 was \$129,716 and \$252,729, respectively.

Tri-County Community Action Partnership, Inc.
Notes to the Financial Statements
September 30, 2018 and 2017

Note 3: Accrued Expenses

The Organization's accrued expenses at September 30, 2018 and 2017 is comprised of the following:

	2018	2017
Accrued Absences	\$ 238,113	\$ 238,418
Accrued Payroll	99,538	29,613
Other Accrued Expenses	2,914	65,220
Total	\$ 340,565	\$ 333,251

Note 4: Retirement Plan

The Organization sponsors a 403(b) retirement plan. The plan covers substantially all full-time employees. Under the plan, the Organization contributes up to 5 percent of each eligible employee's salary. Contributions to the plan for the years ended September 30, 2018 and 2017 were \$139,190 and \$109,507, respectively.

Note 5: Notes Payable, Bank

On June 30, 2016, the Organization refinanced their note payable from Bank of the West with Bremer Bank in the amount of \$522,000. The Organization's notes payable, bank at September 30, 2018 and 2017 is comprised of the following:

	2018	2017
3.56% fixed interest notes payable to Bremer Bank. Secured by Brainerd building and land, maturing July 1, 2021. Note requires monthly payments of \$3,058 including principal and interest.	\$ 481,592	\$ 500,873
Less Current Portion	(19,623)	(18,929)
Total Long-term Notes Payable, Bank	\$ 461,969	\$ 481,944

Approximate maturities of notes payable, bank are as follows:

For the Year Ended September 30	
2019	\$ 19,623
2020	20,298
2021	442,023
Total	\$ 481,592

Interest expense for the years ended September 30, 2018 and 2017 was \$18,842 and \$18,382, respectively.

Tri-County Community Action Partnership, Inc.
Notes to the Financial Statements
September 30, 2018 and 2017

Note 6: Operating Leases

The Organization leases office space/equipment under thirteen operating leases totaling \$21,715 per month that expire in 2019 through 2025. Rent expense for facility leases was \$81,545 and \$140,783 for the years ended September 30, 2018 and 2017, respectively. Rent expense for office equipment was approximately \$13,506 and \$42,453 for the years ended September 30, 2018 and 2017, respectively.

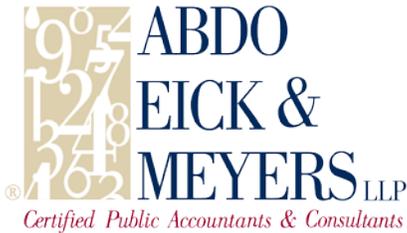
Approximate future minimum payments under these agreements are as follows:

For the Year Ended <u>September 30</u>	
2018	\$ 204,322
2019	167,878
2020	128,888
2021	127,437
Thereafter	<u>59,609</u>
Total	<u><u>\$ 688,134</u></u>

Note 7: Labor Subject to Collective Bargaining Agreements

Non-management employees of the Organization are members of Local Union #3628 American Federation of State, County and Municipal Employees, AFL-CIO ("Union"). The Organization entered into a new labor agreement with the Union for the period January 1, 2018 to December 31, 2019.

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
Tri-County Community Action Partnership, Inc.
Little Falls, 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 Tri-County Community Action Partnership, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of September 30, 2018, 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 March 21, 2019.

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 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

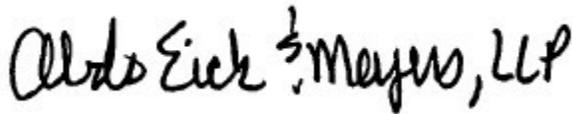
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 21, 2019



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

Board of Directors
Tri-County Community Action Partnership, Inc.
Little Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Tri-County Community Action Partnership, Inc.'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 September 30, 2018. The Organization's major federal program is 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 the 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 the Organization's major federal program 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* (CFR) 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Unmodified 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001 and 2018-002. Our opinion on the major federal program is not modified with respect to this matter.

The Organization's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

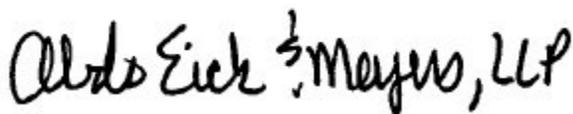
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-002.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
March 21, 2019

Tri-County Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/Program Title Pass-through Grantor	Federal Domestic Assistance Number	Identifying Number	Direct Federal Expenditures	Pass- Through Federal Expenditures	Federal Expenditures
U.S. Department of Health and Human Services					
Head Start					
Department of Health and Human Services	93.600	05CH9957-003-00	\$ 3,473,145	\$ -	\$ 3,473,145
Department of Health and Human Services	93.600	05CH9957-004-00	1,396,342	-	1,396,342
Department of Health and Human Services	93.600	05HP0017-03-00	803,518	-	803,518
Department of Health and Human Services	93.600	05HP0017-04-00	164,710	-	164,710
Total Head Start			<u>5,837,715</u>	<u>-</u>	<u>5,837,715</u>
Low-income Home Energy Assistance					
Minnesota Department of Human Services	93.568	A2108	-	587,501	587,501
Minnesota Department of Human Services	93.568	A2109	-	7,318	7,318
Total Low-income Home Energy Assistance			<u>-</u>	<u>594,819</u>	<u>594,819</u>
Community Services Block Grant					
Minnesota Department of Human Services	93.569	GRK%94816	-	15,148	15,148
Minnesota Department of Human Services	93.569	GRK%127538	-	152,890	152,890
Total Community Services Block Grant			<u>-</u>	<u>168,038</u>	<u>168,038</u>
Total U.S. Department of Health and Human Services			<u>5,837,715</u>	<u>762,857</u>	<u>6,600,572</u>
U.S. Department of Energy					
Weatherization Assistance for Low-income Persons					
Minnesota Department of Commerce	81.042	A2500	-	305,278	305,278
Minnesota Department of Commerce	81.042	A2500	-	5,926	5,926
Total Weatherization Assistance for Low-income Persons			<u>-</u>	<u>311,204</u>	<u>311,204</u>
Total U.S. Department of Energy			<u>-</u>	<u>311,204</u>	<u>311,204</u>
U.S. Department of Agriculture					
Child and Adult Care Food Program					
Minnesota Department of Human Services	10.558	1000003687	-	185,536	185,536
Supplemental Nutrition Assistance Program, Outreach/Participation Program					
Minnesota Department of Human Services	10.580	GRK%133147	-	26,250	26,250
Total U.S. Department of Agriculture			<u>-</u>	<u>211,786</u>	<u>211,786</u>
Total Federal Expenditures			<u>\$ 5,837,715</u>	<u>\$ 1,285,847</u>	<u>\$ 7,123,562</u>

Tri-County Community Action Partnership, Inc.
Notes to the Schedule of
Expenditures of Federal Awards

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 September 30, 2018. The information in this schedule is presented in accordance with the requirements 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: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through identifying numbers are presented where available.

Note 4: Subrecipients

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

Note 5: Indirect Cost Rate

During the year ended September 30, 2018, the Organization did not elect to use the 10% de minimis indirect cost rate.

Note 6: In-kind

Federal match in-kind services and materials of \$1,156,189 are excluded from Head Start CFDA 93.600 for purposes of this schedule.

Note 7: Reconciliation to the Statement of Activities

Total Revenues of Federal Awards	\$ 7,123,562
Total Revenues of State Awards	<u>1,136,591</u>
Total Government Grants and Contracts Revenue	<u><u>\$ 8,260,153</u></u>

Tri-County Community Action Partnership, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2018

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?	No
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?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	Yes

Identification of Major Programs/Projects:

Head Start	CFDA 93.600
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee pursuant to Uniform Guidance	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

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 - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Noncompliance

2018-001 Head Start Enrollment - U.S. Department of Health and Human Services: Head Start CFDA 93.600

Condition:

During our audit, we noted that the enrollment numbers for the grant period did not meet or exceed 97% of the numbers specified by the grant agreement. The reported enrollment by month for the period of October 1, 2017 to September 30, 2018 was below the requirement for 6 of those months and total enrollment for the period was 81.5%.

Criteria:

The Organization is responsible to ensure that enrollment in the Head Start and Early Head Start programs meets or exceeds the 97% required funded enrollment specified in the grant agreement with the Department of Health and Human Services.

Cause:

The Organization is looking into the cause of the decrease in enrollment to determine whether the population of children has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

Effect:

The Organization is being over-funded by the federal department based on their current enrollment.

Repeat finding:

This finding was presented in the year ended September 30, 2017 audit as finding 2017-002.

Recommendation:

In accordance with the Organization's currently planned corrective action, we recommend that the Organization look into the cause of the decrease in enrollment to determine whether the population of children in the surrounding area has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

Views of responsible officials and planned corrective actions:

TCCAP is looking into the cause of the decrease in enrollment to determine whether the population of children has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area and are working with Head Start to correct this.

Tri-County Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2018

SECTION III - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018-002 Administrative Costs - U.S. Department of Health and Human Services: Head Start CFDA 93.600

Condition:

During our audit, we noted that the allowable administrative cost portion of the federal award budget was overspent by \$240,656.

Criteria:

The Organization is responsible to ensure that administrative costs that are reimbursed under the major federal program do not exceed the allowable 15% stipulated by the grant agreement.

Cause:

Proper review and oversight were not carried out during the fiscal year by the Organization's leadership in order to adjust for higher administrative expenditures throughout the year and prevent over-expenditure of these costs.

Effect:

The Organization is being over-funded by the federal department for administrative costs beyond the allowable amount in the grant agreement.

Recommendation:

We recommend that the Organization utilize grant and financial staff to more closely monitor the allowable administrative cost amount per the grant agreement to ensure that there are no further over-expenditures of the allowable administrative costs.

Views of responsible officials and planned corrective actions:

TCCAP will ensure that there is proper oversight in the future surrounding this requirement to prevent any further over-expenditure.



Anti-poverty action for children, families, and communities

CORRECTIVE ACTION PLAN

March 6, 2019

U.S. Department of Health and Human Services

Tri-County Community Action Partnership, Inc. respectfully submits the following corrective action plan for the year ended September 30, 2018:

Name and address of independent public accounting firm:
Abdo, Eick & Meyers, LLP
5201 Eden Ave, Suite 250
Edina, MN 55436
Audit period: October 1, 2017 – September 30, 2018

The findings from the September 30, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

NONCOMPLIANCE

DEPARTMENT OF HEALTH AND HUMAN SERVICES: CFDA 93.600 Head Start

2018-001 – Head Start Enrollment

Recommendation:

In accordance with the Organization's currently planned corrective action, we recommend that the Organization look into the cause of the decrease in enrollment to determine whether the population of children in the surrounding area has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

Planned Action

TCCAP is currently in the process of looking into the cause of the decrease in enrollment to determine whether the population of children in the surrounding area has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

2018-002 – Administrative Costs

Recommendation:

We recommend that the Organization utilize grant and financial staff to more closely monitor the allowable administrative cost amount per the grant agreement to ensure that there are no further over-expenditures of the allowable administrative costs.

Planned Action

TCCAP will ensure that there is proper oversight in the future surrounding this requirement to prevent any further over-expenditure.

If the U.S. Department of Health and Human Services has questions regarding this plan, please call.

Sincerely yours,

Tri-County Community **Action Partnership**
501 LeMieur St · Little Falls, MN 56345
Phone 320-632-3691 · Fax 320-632-3695
www.tccaction.com

Tri-County Community Action Partnership, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2018

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING 2017-001: HEAD START CFDA 93.600

Condition:

During our audit, material adjustments were needed to adjust accounts to correct balances at year end. Significant accounts affected include accumulated depreciation and related expense accounts.

Recommendation:

We recommend the Organization review and update its month-end and year-end processes to ensure all accounts are current at year end.

Current Status:

The recommendation was adopted during the 2018 fiscal year, and no similar findings were noted during the 2018 fiscal year audit.

FINDING 2017-002: HEAD START CFDA 93.600

Condition:

During our audit, we noted that the enrollment numbers for the grant period did not meet or exceed 97% of the numbers specified by the grant agreement. The reported enrollment by month for the period of October 1, 2016 to September 30, 2017 was below the requirement for 5 of those months and total enrollment for the period was 95.9%.

Recommendation:

In accordance with the Organization's currently planned corrective action, we recommend that the Organization look into the cause of the decrease in enrollment to determine whether the population of children in the surrounding area has been saturated or whether further efforts should be made to advertise the Head Start program to the surrounding area.

Current Status:

The recommendation was adopted during the 2018 fiscal year, and the Organization is currently working with the Department of Health and Human Services to continue correcting the low enrollment numbers specified by the grant. Included as 2018-001 in the current audit.