

**TRI-COUNTY COMMUNITY ACTION
PARTNERSHIP, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
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INDEPENDENT AUDITORS' 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. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, 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.

Auditors' 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 audits 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 auditors' 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 Tri-County Community Action Partnership, Inc. as of September 30 2020 and 2019, 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 – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 January 28, 2021, on our consideration of Tri-County Community Action Partnership, Inc.'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 solely 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 effectiveness of Tri-County Community Action Partnership, Inc.'s 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 Tri-County Community Action Partnership, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
January 28, 2021

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 846,505	\$ 809,242
Grants and Contracts Receivable	599,936	450,360
Accounts Receivable	34,495	36,932
Loans Receivable	2,932	-
Prepaid Expenses	34,287	79,035
Total Current Assets	1,518,155	1,375,569
PROPERTY AND EQUIPMENT, NET	583,559	589,476
Total Assets	\$ 2,101,714	\$ 1,965,045
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 119,764	\$ 135,542
Contract Liabilities	17,546	94,951
Deferred Revenue	15,522	-
Accrued Expenses	505,029	356,849
Current Portion of Notes Payable, Bank	441,644	20,298
Total Current Liabilities	1,099,505	607,640
Notes Payable, Bank	-	441,657
Total Liabilities	1,099,505	1,049,297
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,002,209	915,748
Total Liabilities and Net Assets	\$ 2,101,714	\$ 1,965,045

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
REVENUES		
Government Grants and Contracts	\$ 7,528,098	\$ 7,955,711
Other Contracts	341,605	510,517
Client Loan Services	11,177	6,652
Investment Income	1,077	1,016
In-Kind	262,961	111,625
Other Revenue	83,458	14,618
Contributions	1,681	3,126
Release from Restriction	-	32,445
Total Public Support and Revenue	8,230,057	8,635,710
 EXPENSES		
Program Services	7,195,882	7,554,342
Supporting Services:		
Management and General	947,714	1,043,623
Total Expenses	8,143,596	8,597,965
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	86,461	37,745
 NET ASSETS WITH DONOR RESTRICTIONS		
Release from Restriction	-	(32,445)
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	-	(32,445)
 CHANGE IN NET ASSETS	86,461	5,300
Net Assets - Beginning of Year	915,748	910,448
 NET ASSETS - END OF YEAR	\$ 1,002,209	\$ 915,748

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 4,738,470	\$ 679,380	\$ 5,417,850
Consultants	59,896	114,140	174,036
Depreciation	76,667	1,160	77,827
In-Kind	262,961	-	262,961
Occupancy	456,940	16,326	473,266
Insurance	34,911	8,026	42,937
Client Food Services	112,697	3	112,700
Client Housing Services	575,052	313	575,365
Client Child Care Services	381,451	7,292	388,743
Client Health Services	35,560	127	35,687
Client Transportation Services	3,569	171	3,740
Client Children Services	142,168	61	142,229
Client Loan Services	2,651	-	2,651
Client Emergency Services	16,776	-	16,776
Dues and Licenses	20,708	60,236	80,944
Meetings	942	4,155	5,097
Miscellaneous	46	574	620
Supplies	132,083	44,769	176,852
Training	64,645	3,978	68,623
Travel	77,689	7,003	84,692
Total	<u>\$ 7,195,882</u>	<u>\$ 947,714</u>	<u>\$ 8,143,596</u>

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 4,861,628	\$ 768,623	\$ 5,630,251
Consultants	14,179	77,055	91,234
Depreciation	111,097	4,075	115,172
In-Kind	111,625	-	111,625
Occupancy	321,984	18,540	340,524
Insurance	58,215	-	58,215
Client Food Services	168,424	25	168,449
Client Housing Services	949,399	261	949,660
Client Child Care Services	362,675	6,939	369,614
Client Health Services	24,890	158	25,048
Client Transportation Services	23,817	3,910	27,727
Client Children Services	69,187	1,335	70,522
Client Loan Services	14,965	262	15,227
Client Emergency Services	16,119	-	16,119
Dues and Licenses	27,369	36,446	63,815
Meetings	2,115	4,693	6,808
Miscellaneous	892	1,207	2,099
Supplies	171,391	72,678	244,069
Training	105,839	33,237	139,076
Travel	138,532	14,179	152,711
Total	<u>\$ 7,554,342</u>	<u>\$ 1,043,623</u>	<u>\$ 8,597,965</u>

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 86,461	\$ 5,300
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	77,827	115,172
Gain on Sale of Property and Equipment	(78,696)	-
(Increase) Decrease in Current Assets:		
Grants and Contracts Receivable	(149,576)	(187,607)
Accounts Receivable	2,437	23,241
Loan Receivable	(2,932)	-
Prepaid Expenses	44,748	6,167
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(15,778)	(1,224)
Contract Liabilities	(77,405)	-
Deferred Revenue	15,522	94,951
Accrued Expenses	148,180	16,284
Net Cash Provided by Operating Activities	50,788	72,284
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(71,810)	(181,795)
Proceeds from Sales of Property and Equipment	78,596	-
Net Cash Provided (Used) by Investing Activities	6,786	(181,795)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(20,311)	(19,637)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,263	(129,148)
Cash and Cash Equivalents - Beginning of Year	809,242	938,390
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 846,505	\$ 809,242
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 16,323	\$ 15,514

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

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. Under these standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. Also, those resources subject to a donor-imposed restriction that they may be maintained in perpetuity by the Organization.

The Organization has elected to present certain contributions with donor restrictions, which are fulfilled in the same time period, within the net assets without donor restrictions class.

Revenue Recognition

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on the service period of the contract. The Organization measures the performance obligation from these particular services from the beginning of the performance period to the completion of services provided. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe they are required to provide additional goods or services to the client.

The Organization only has performance obligations that are satisfied at a point in time. The performance obligations are satisfied when the work on the home is complete. Amounts received with a progress payment for which the performance obligation is not satisfied as of yearend is \$17,546 and recognized in the statements of financial position as contract liabilities.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants. Amounts received are recognized as earned and are reported as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as deferred revenue in the statements of financial position. The Organization received cost-reimbursable grants of \$7,286,574, for which qualifying expenditures have not yet been incurred, with a progress payment of \$15,522 recognized in the statements of financial position as deferred revenue.

Estimates

The preparation of the 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowment, or other long-term purposes are excluded from this definition.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2020 and 2019.

Grants and Contracts Receivable

Grants receivable are government and pass-through payments received subsequent to year-end, and are specifically allocated to the Organization's operations for 2020 and 2019. Contracts receivable are amounts earned and owed to the Organization from nongovernment contractors. No allowance is deemed necessary as of September 30, 2020 and 2019.

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.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment with an initial cost of \$5,000 or more are reported on the statement 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. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The property and equipment acquired is owned by the Organization while used in the program for which it was purchased or in the 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.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2020 and 2019.

Compensated Absences

Employees of the Organization are entitled to PTO depending on job classification, length of service and other factors. Compensated absences are charged to expenses during the period earned. A liability of accrued compensated absences is shown in the statement of financial position.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restrictions.

In-Kind Contributions

In-kind contributions represent donated professional services to the Organization's programs and are based on fair market value at the time donated. A like amount is included in expenses and represents the amount which would have been expended had the good or service not been donated.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The Organization allocates its expenses on a functional basis among its programs and supporting services. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage job descriptions, or time and effort.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs were \$1,389 and \$5,635 for the years ended September 30, 2020 and 2019, respectively.

Tax Status

The Organization is exempt from federal and state income taxes as a private nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor. The Organization does not have any uncertain tax positions or unrelated business income.

The Organization files as a tax-exempt organization. Should that status be challenged in the future, all years since inception would be subject to review by the Internal Revenue Service.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the early adoption of ASC 606 guidance beginning on October 1, 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally, ASU 2018-08 was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning October 1, 2019. The new guidance does not require prior period results to be restated.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 28, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization has \$1,480,936 of financial assets available within one year of the balance sheet date consisting of cash of \$846,505, grants and contracts receivable of \$599,936, and accounts receivable of \$34,495. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 120 days of normal operating expenses, which are, on average, approximately \$678,633 per month. As part of its liquidity management, the Organization invests cash in excess of daily requirements in the short-term investment account (money market).

NOTE 3 GRANTS AND CONTRACTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Grants and Contracts Receivable:		
Federal Programs	\$ 497,754	\$ 340,647
State Programs	102,182	109,713
Total Grants and Contracts Receivable	<u>\$ 599,936</u>	<u>\$ 450,360</u>

NOTE 4 ACCOUNTS RECEIVABLE

The Organization's contract assets consist of the following for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Accounts Receivable:		
CIP Programs	\$ 26,247	\$ 29,653
Child and Adult Care Food Program	7,219	6,223
Other	1,029	1,056
Total Accounts Receivable	<u>\$ 34,495</u>	<u>\$ 36,932</u>

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5 PROPERTY AND EQUIPMENT

The Organization's property and equipment at September 30, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 112,310	\$ 112,310
Buildings and Improvements	3,280,482	3,386,212
Furniture and Equipment	1,355,577	1,820,995
Total Property and Equipment	<u>4,748,369</u>	<u>5,319,517</u>
Less: Accumulated Depreciation	<u>(4,164,810)</u>	<u>(4,730,041)</u>
Property and Equipment, Net	<u>\$ 583,559</u>	<u>\$ 589,476</u>

Depreciation for the years ended September 30, 2020 and 2019 was \$77,827 and \$115,172, respectively.

NOTE 6 OPERATING LEASES

The Organization leases certain facilities under leases classified as operating leases, the last of which expires in September of 2025. Total lease expense for 2020 and 2019 was \$209,604 and \$202,340, respectively.

Minimum future lease payments relating to these agreements for the year ended September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 164,518
2022	162,211
2023	135,510
2024	77,473
2025	52,526
Total	<u>\$ 592,238</u>

NOTE 7 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% of each eligible employee's salary. Contributions to the plan for the years ended September 30, 2020 and 2019 was \$143,090 and \$141,002, respectively.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 8 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 and is comprised of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
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.	\$ 441,644	\$ 461,955
Less: Current Portion	(441,644)	(20,298)
Total Long-Term Notes Payable, Bank	<u>\$ -</u>	<u>\$ 441,657</u>

Approximate maturity of Notes Payable, Bank is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	<u>\$ 441,644</u>
Total	<u>\$ 441,644</u>

Interest expense for the years ended September 30, 2020 and 2019 was \$16,323 and \$15,514, respectively.

NOTE 9 CONTRACT LIABILITIES

The Organization's contract liabilities consist of the following for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Minnesota Housing Finance Agency	<u>\$ 17,546</u>	<u>\$ 94,951</u>
Total Contract Liabilities	<u>\$ 17,546</u>	<u>\$ 94,951</u>

NOTE 10 LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENTS

Nonmanagement 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, 2020 through December 31, 2021.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 CONCENTRATIONS

Concentration – Cash

At various times during the year, the Organization had cash on deposit with banks in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses from such accounts.

Concentrations – Grant Revenue and Receivables

For 2020 and 2019, respectively, 78% and 75% of the Organization's revenue and 79% and 62% of the grants receivable balance were from the Head Start Program funded through the U.S. Department of Health and Human Services. Also in 2019, 18% of the Organization's grants receivable balance was from the Energy Assistance Weatherization Programs funded through the U.S. Department of Health and Human Services and U.S. Department of Energy. Federal grant revenue accounted for 79% and 80% of total revenue for 2020 and 2019, respectively. State grant revenue accounted for 13% of total revenues for both 2020 and 2019.

NOTE 12 CONTINGENCIES

Federal and State Program Activities

Federal and state program activities are subject to financial and compliance regulations. To the extent that any expenditures are disallowed, a liability to the respective federal or state agency could result.

Claims

The Organization is subject to claims arising in the normal course of business. While it is not feasible to determine the outcomes of any of these claims, it is the opinion of management that their outcomes will not have a material effect on the financial position or activities of the Organization.

NOTE 13 RISKS AND UNCERTAINTIES

During the fiscal year ended September 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Tri-County Community Action Partnership, Inc., COVID-19 may impact various parts of its 2021 operations and financial results. Management believes Tri-County Community Action Partnership, Inc. is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.



**INDEPENDENT AUDITORS' 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., which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-County Community Action Partnership, Inc.'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 Tri-County Community Action Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-County Community Action Partnership, Inc.'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Community Action Partnership, Inc.'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*.

Tri-County Community Action Partnership, Inc.'s Response to Findings

Tri-County Community Action Partnership, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tri-County Community Action Partnership, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
January 28, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT 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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tri-County Community Action Partnership, Inc.'s major federal programs for the year ended September 30, 2020. Tri-County Community Action Partnership, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tri-County Community Action Partnership, Inc.'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 Tri-County Community Action Partnership, Inc.'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 Tri-County Community Action Partnership, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Tri-County Community Action Partnership, Inc. 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 years ended September 30, 2020.

Report on Internal Control Over Compliance

Management of Tri-County Community Action Partnership, Inc. 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 Tri-County Community Action Partnership, Inc.'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 Tri-County Community Action Partnership, Inc.'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

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.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
January 28, 2021

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Domestic Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Minnesota Department of Human Services				
Child and Adult Care Food Program	10.558	1000003687	\$ -	\$ 133,820
Supplemental Nutrition Assistance Program, Outreach/Participant Program	10.580	GRK%163838/3000071865	-	26,450
Total Minnesota Department of Human Services			-	160,270
Total U.S. Department of Agriculture			-	160,270
U.S. Department of Energy				
Minnesota Department of Commerce				
Weatherization Assistance for Low-Income Persons	81.042	A2500	-	286,316
Total Weatherization Assistance for Low-Income Persons			-	286,316
Total U.S. Department of Energy			-	286,316
U.S. Department of Health and Human Services				
Minnesota Department of Human Services				
Low-Income Home Energy Assistance	93.568	A2110	-	196,101
Low-Income Home Energy Assistance	93.568	A2111	-	27,555
Total Low-Income Home Energy Assistance			-	223,656
Minnesota Department of Human Services				
Community Services Block Grant	93.569	GRK%160095	-	86,325
Community Services Block Grant	93.569	GRK%127538	-	2,847
COVID-19 Community Services Block Grant	93.569	GRK%179895	-	2,961
Total Community Services Block Grant			-	92,133
Direct				
Early Head Start Child Care Partnership	93.600	05HP000319-01-01	-	785,173
Early Head Start Child Care Partnership	93.600	05HP000319-02-01	-	139,560
COVID-19 Early Head Start CCP	93.600	05HP000319-01-01C3	-	108
COVID-19 Early Head Start CCP	93.600	05HP000319-01-02C3	-	3,200
Head Start/Early Head Start	93.600	05CH9957-05-02	-	3,746,544
Head Start/Early Head Start	93.600	05CH011516-01-02	-	1,011,425
COVID-19 Head Start/Early Head Start	93.600	05CH011516-01-02C3	-	45,883
Total Head Start Cluster			-	5,731,893
Total U.S. Department of Health and Human Services			-	6,047,682
Total Federal Expenditures			\$ -	\$ 6,494,268

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the 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

Expenditures reported on the schedule are reported on the basis of accounting principles generally accepted in the United States of America. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of Major Federal Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020

Section II – Financial Statement Findings

2020 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The Organization does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the Organization's internal controls.

Criteria or Specific Requirement: The Organization must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures and the schedule of federal awards.

Context: While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are fairly stated in accordance with GAAP.

Effect: This condition increases the possibility that errors or irregularities may occur with respect to the financial statements.

Cause: The Organization has not adopted a policy over the annual financial reporting in accordance with accounting practices prescribed by accounting principles generally accepted in the United States of America, however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Repeat Finding: This is a repeat finding.

Recommendation: The Organization should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

Views of responsible officials and planned corrective actions: We will continue to consider available options and implement any options where the risk exceeds the costs of implementation.