

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2021 AND 2020



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YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 February 24, 2022, 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
February 24, 2022

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 834,217	\$ 846,505
Grants and Contracts Receivable	659,673	599,936
Accounts Receivable	15,784	34,495
Loans Receivable	-	2,932
Prepaid Expenses	67,803	34,287
Total Current Assets	1,577,477	1,518,155
PROPERTY AND EQUIPMENT, NET	876,052	583,559
Total Assets	\$ 2,453,529	\$ 2,101,714
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 341,999	\$ 119,764
Contract Liabilities	60,892	17,546
Deferred Revenue	12,094	15,522
Accrued Expenses	387,869	505,029
Current Portion of Note Payable, Bank	19,878	441,644
Total Current Liabilities	822,732	1,099,505
Note Payable, Bank	526,930	-
Total Liabilities	1,349,662	1,099,505
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,103,867	1,002,209
Total Liabilities and Net Assets	\$ 2,453,529	\$ 2,101,714

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2019
REVENUES		
Government Grants and Contracts	\$ 8,407,780	\$ 7,528,098
Other Contracts	277,334	341,605
Client Loan Services	74	11,177
Investment Income	522	1,077
In-Kind	307,523	262,961
Other Revenue	1,507	83,458
Contributions	-	1,681
Total Public Support and Revenue	8,994,740	8,230,057
EXPENSES		
Program Services	7,680,223	7,195,882
Supporting Services:		
Management and General	1,212,859	947,714
Total Expenses	8,893,082	8,143,596
CHANGE IN NET ASSETS	101,658	86,461
Net Assets - Beginning of Year	1,002,209	915,748
NET ASSETS - END OF YEAR	\$ 1,103,867	\$ 1,002,209

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 4,885,371	\$ 616,731	\$ 5,502,102
Consultants	36,950	325,116	362,066
Depreciation	113,536	1,124	114,660
In-Kind	307,523	-	307,523
Occupancy	403,495	100,287	503,782
Insurance	15,658	7,475	23,133
Client Food Services	107,791	-	107,791
Client Housing Services	792,661	2,723	795,384
Client Child Care Services	375,134	11,274	386,408
Client Health Services	76,158	8,402	84,560
Client Transportation Services	5,434	451	5,885
Client Children Services	96,237	-	96,237
Client Loan Services	2,424	240	2,664
Client Emergency Services	105,646	-	105,646
Dues and Licenses	13,788	46,624	60,412
Meetings	-	186	186
Miscellaneous	829	-	829
Supplies	181,622	78,127	259,749
Training	91,734	9,557	101,291
Travel	68,232	4,542	72,774
Total	<u>\$ 7,680,223</u>	<u>\$ 1,212,859</u>	<u>\$ 8,893,082</u>

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 101,658	\$ 86,461
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	114,660	77,827
Gain on Sale of Property and Equipment	-	(78,696)
(Increase) Decrease in Current Assets:		
Grants and Contracts Receivable	(59,737)	(149,576)
Accounts Receivable	18,711	2,437
Loan Receivable	2,932	(2,932)
Prepaid Expenses	(33,516)	44,748
Increase (Decrease) in Current Liabilities:		
Accounts Payable	100,132	(15,778)
Contract Liabilities	43,346	(77,405)
Deferred Revenue	(3,428)	15,522
Accrued Expenses	(117,160)	148,180
Net Cash Provided by Operating Activities	167,598	50,788
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(285,050)	(71,810)
Proceeds from Sales of Property and Equipment	-	78,596
Net Cash Provided (Used) by Investing Activities	(285,050)	6,786
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	122,879	-
Principal Payments on Long-Term Debt	(17,715)	(20,311)
Net Cash Provided (Used) by Financing Activities	105,164	(20,311)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,288)	37,263
Cash and Cash Equivalents - Beginning of Year	846,505	809,242
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 834,217	\$ 846,505
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 14,762	\$ 16,323
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Purchased through Accounts Payable	\$ 122,103	\$ -
Refinance of Long-Term Debt	\$ 427,121	\$ -

See accompanying Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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. There were no activities under net assets with donor restrictions for the years ended September 30, 2021 and 2020.

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.

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 statements 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.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021 and 2020. Contracts receivable are amounts earned and owed to the Organization from nongovernment contractors. No allowance is deemed necessary as of September 30, 2021 and 2020.

Accounts Receivable

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

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. 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 statements 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, 2021 and 2020.

Construction in Progress

Construction in progress is recorded at cost and include property and equipment purchased that will be placed in service once the project is complete. There are no significant signed commitments for all construction in progress.

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 statements of financial position.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of activities as Net Assets Released from Restrictions.

In-Kind Contributions

In-kind contributions represent donated professional services and materials 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. For the years ended September 30, 2021 and 2020, there were volunteer services provided to the Organization for their programs for which no value has been assigned because those services do not meet the criteria for recognition in the financial statements.

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. For the years ended September 30, 2021 and 2020, amounts received with a progress payment for which the performance obligation is not satisfied is \$60,892 and \$17,546, respectively, and recognized in the statements of financial position as contract liabilities.

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 \$8,933,227 and \$7,286,574, for which qualifying expenditures have not yet been incurred, with a progress payment of \$3,200 and \$15,522, recognized in the statements of financial position as deferred revenue for the years ended September 30, 2021 and 2020, respectively.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 basis, job descriptions, or time and effort.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs were \$12,760 and \$1,389 for the years ended September 30, 2021 and 2020, 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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 24, 2022, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization has \$1,509,674 and \$1,480,936 of financial assets available within one year of the balance sheet date consisting of cash of \$834,217 and \$846,505, grants and contracts receivable of \$659,673 and \$599,936, and accounts receivable of \$15,784 and \$34,495, respectively. 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 \$741,090 and \$678,633 per month for the years ended September 30, 2021 and 2020, respectively. As part of its liquidity management, the Organization invests cash in excess of daily requirements in the short-term investment account (money market).

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 3 GRANTS AND CONTRACTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Grants and Contracts Receivable:		
Federal Programs	\$ 551,586	\$ 497,754
State Programs	108,087	102,182
Total Grants and Contracts Receivable	<u>\$ 659,673</u>	<u>\$ 599,936</u>

NOTE 4 ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Grants and Contracts Receivable:		
Federal Programs	\$ 551,586	\$ 497,754
State Programs	108,087	102,182
Total Grants and Contracts Receivable	<u>\$ 659,673</u>	<u>\$ 599,936</u>

The Organization's contract assets as of October 01, 2019 was \$340,647 for federal programs, and \$109,713 for state programs, with a combined total of \$450,360.

NOTE 5 PROPERTY AND EQUIPMENT

The Organization's property and equipment at September 30, 2021 and 2020 is comprised of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 112,310	\$ 112,310
Buildings and Improvements	3,280,482	3,280,482
Furniture and Equipment	1,586,020	1,355,577
Construction in Progress	176,710	-
Total Property and Equipment	<u>5,155,522</u>	<u>4,748,369</u>
Less: Accumulated Depreciation	<u>(4,279,470)</u>	<u>(4,164,810)</u>
Property and Equipment, Net	<u>\$ 876,052</u>	<u>\$ 583,559</u>

Depreciation for the years ended September 30, 2021 and 2020 was \$114,660 and \$77,827, respectively.

NOTE 6 OPERATING LEASES

The Organization leases certain facilities under leases classified as operating leases, the last of which expires in March of 2026. Total lease expense for 2021 and 2020 was \$188,209 and \$209,604, respectively.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 6 OPERATING LEASES (CONTINUED)

Minimum future lease payments relating to these agreements are as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2022	\$ 163,564
2023	136,864
2024	78,827
2025	79,263
2026	23,018
Total	<u>\$ 481,536</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, 2021 and 2020 was \$164,081 and \$143,090, respectively.

NOTE 8 NOTE PAYABLE, BANK

On July 1, 2021, the Organization refinanced their note payable from Bremer Bank with Deerwood Bank in the amount of \$550,000. The Organization's Note Payable, Bank at September 30 is comprised of the following:

<u>Description</u>	<u>2021</u>	<u>2020</u>
3.56% Fixed Interest Note Payable to Bremer Bank. Secured by Brainerd Building and Land, Matured July 1, 2021. Note Required Monthly Payments of \$3,058 Including Principal and Interest. Refinanced in July 2021.	\$ -	\$ 441,644
3.25% Fixed Interest Note Payable to Deerwood Bank. Secured by Brainerd Building and Land, Maturing July 1, 2026. Note Requires Monthly Payments of \$3,133 Including Principal and Interest.	546,808	-
Less: Current Portion	(19,878)	(441,644)
Total Long-Term Note Payable, Bank	<u>\$ 526,930</u>	<u>\$ -</u>

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 8 NOTE PAYABLE, BANK (CONTINUED)

Approximate maturity of Note Payable, Bank is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 19,878
2023	20,543
2024	21,184
2025	21,938
2026	463,265
Total	<u>\$ 546,808</u>

Interest expense for the years ended September 30, 2021 and 2020 was \$14,762 and \$16,323, respectively.

NOTE 9 CONTRACT LIABILITIES

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

	<u>2021</u>	<u>2020</u>
Minnesota Housing Finance Agency	\$ 60,892	\$ 17,546
Total Contract Liabilities	<u>\$ 60,892</u>	<u>\$ 17,546</u>

The Organization's contract liabilities as of October 01, 2019 was \$94,951 from the Minnesota Housing Finance Agency.

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 labor agreement with the Union for the period January 1, 2020 through December 31, 2021. This contract remains in effect for 2022 until negotiations for an updated labor agreement have been finalized.

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.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 11 CONCENTRATIONS (CONTINUED)

Concentrations – Grant Revenue and Receivables

For 2021 and 2020, respectively, 76% and 78% of the Organization's revenue and 61% and 79% of the grants receivable balance were from the Head Start Program funded through the U.S. Department of Health and Human Services. Also in 2021, 10% of the Organization's revenue and 27% of the grants receivable balance were 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 81% and 79% of total revenue for 2021 and 2020, respectively. State grant revenue accounted for 13% of total revenues for both 2021 and 2020.

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.



**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, 2021, 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 February 24, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and questioned costs we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

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 financial statements. 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
February 24, 2022



**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, 2021. 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, 2021.

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 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Tri-County Community Action Partnership, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tri-County Community Action Partnership, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-003, that we consider to be significant deficiencies.

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

Tri-County Community Action Partnership, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tri-County Community Action Partnership, Inc.'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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

St. Cloud, Minnesota
February 24, 2022

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing 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	\$ -	\$ 101,156
Supplemental Nutrition Assistance Program, Outreach/Participant Program	10.580	GRK%163838	-	26,250
Total Minnesota Department of Human Services			-	127,406
Total U.S. Department of Agriculture			-	127,406
U.S. Department of Energy				
Minnesota Department of Commerce				
Weatherization Assistance for Low-Income Persons	81.042	A2500	-	300,181
Total Weatherization Assistance for Low-Income Persons			-	300,181
Total U.S. Department of Energy			-	300,181
U.S. Department of Health and Human Services				
Minnesota Department of Human Services				
Low-Income Home Energy Assistance	93.568	A2111	-	408,281
Low-Income Home Energy Assistance	93.568	A2113	-	111,404
Low-Income Home Energy Assistance	93.568	A2114	-	39,413
Total Low-Income Home Energy Assistance			-	559,098
Minnesota Department of Human Services				
Community Services Block Grant	93.569	GRK%160095	-	95,045
Community Services Block Grant	93.569	GRK%127538	-	57,346
Community Services Block Grant	93.569	H5533767	-	100,362
Total Community Services Block Grant			-	252,753
Direct				
Early Head Start Child Care Partnership	93.600	05HP000319-03-00	-	123,906
Early Head Start Child Care Partnership	93.600	05HP000319-02-01	-	739,522
COVID-19 - Early Head Start CCP	93.600	05HP000319-02-02	-	47,760
COVID-19 - Head Start/Early Head Start	93.600	05CH011516-01-02	-	82,593
COVID-19 - Head Start/Early Head Start ARA	93.600	05HE000402-01-01	-	56,300
Head Start/Early Head Start	93.600	05CH01156-02-02	-	1,525,132
Head Start/Early Head Start	93.600	05CH01156-01-02	-	3,446,482
Total Head Start Cluster			-	6,021,695
Total U.S. Department of Health and Human Services			-	6,833,546
Total Federal Expenditures			\$ -	\$ 7,261,133

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

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, 2021. 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 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. 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% 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, 2021**

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? X yes 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? X yes 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)? X yes no

Identification of Major Federal Programs

Assistance Listing Number(s)

93.600
81.042

Name of Federal Program or Cluster

Head Start Cluster
Weatherization Assistance for Low-Income Persons

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

2021 – 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.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings (Continued)

2021 – 002

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: Adjusting journal entries were posted to the financial statements, which was a necessary step in ensuring the financial statements were fairly stated under General Accepted Accounting Principles (GAAP).

Criteria or Specific Requirement: Management is responsible for the accuracy and completeness of all financial records and related information. Management is responsible for all controls over the year-end financial reporting process to ensure conforming with GAAP.

Context: While performing audit procedures, it was noted management did not have internal controls in place to provide reasonable assurance the financial statements are fairly stated in accordance with GAAP by having all of the adjustments recorded appropriately.

Effect: This resulted in recording fixed assets, accounts payable, grants receivable and grant revenue in order to be fairly stated under GAAP.

Cause: The Organization's control policies and procedures did not prevent or detect the misstatement of the financial statements.

Repeat Finding: This is not a repeat finding.

Recommendations: The Organization should continue to review all GAAP requirements for unusual transactions entered into to ensure conformity with GAAP prior to the start of the audit.

View of responsible officials and corrective action plan: The Organization has reviewed transactions and adjusted its processes to ensure all balances are captured in conformity with GAAP.

TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 003

Federal Agency: U.S. Department of Energy

Federal Program Title: Weatherization Assistance for Low-Income Persons

Federal Assistance Listing Number: 81.042

Pass-Through Agency: Minnesota Department of Commerce

Pass-Through Number(s): A2500

Award Period: 07/01/20 to 06/30/21 & 07/01/21 to 06/30/22

Type of Finding:

- Significant Deficiency in Internal Control over Major Federal Programs and Other Matters

Criteria or Specific Requirement: Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200.

Under 2CFR section 200.303 A non-federal entity must establish and maintain effective internal controls over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our testing we noted the Organization did not apply any procurement procedures for a purchase over the internal procurement policy thresholds. The Organization also did not solicit 3 bids before the final bid was selected.

Questioned Costs: \$3,689

Context: 1 out of the 20 procurement selections did not have any procurement procedures followed for a purchase over \$3,500. 14 out of 20 procurement transactions did not receive or solicit at least 3 bids as required within the Weatherization Policy Manual.

Cause: The Organization did not follow Uniform Guidance which requires an adequate number of quotations or bids for purchases over \$3,500. The Organization did not follow the Weatherization Policy Manual by soliciting 3 bids for purchases over \$5,000.

Effect: Potential for not selecting the lowest bid.

Repeat Finding: No

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 003 (Continued)

Recommendation: The Organization should follow their procurement policies and take into consideration not only the Organization's internal policies but also those of the grantor and the pass-through entity and those of Uniform Guidance.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

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