

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Tri-County Community Action Partnership, Inc., which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tri-County Community Action Partnership, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Tri-County Community Action Partnership, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tri-County Community Action Partnership, Inc.'s internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-County Community Action Partnership, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, 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.

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

**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
March 24, 2023

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 610,776	\$ 834,217
Grants Receivable	804,139	659,673
Accounts Receivable	109,444	15,784
Loans Receivable	318	-
Prepaid Expenses	78,235	67,803
Total Current Assets	1,602,912	1,577,477
<b>PROPERTY AND EQUIPMENT, NET</b>	805,173	876,052
Total Assets	\$ 2,408,085	\$ 2,453,529
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 226,576	\$ 341,999
Contract Liabilities	32,934	60,892
Deferred Revenue	100,053	12,094
Accrued Expenses	489,901	387,869
Current Portion of Note Payable, Bank	20,543	19,878
Total Current Liabilities	870,007	822,732
Note Payable, Bank	506,388	526,930
Total Liabilities	1,376,395	1,349,662
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,031,690	1,103,867
Total Liabilities and Net Assets	\$ 2,408,085	\$ 2,453,529

See accompanying Notes to Financial Statements.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>REVENUES</b>		
Government Grants and Contracts	\$ 10,489,084	\$ 8,407,780
Other Contracts	356,264	277,334
Client Loan Services	15	74
Investment Income	577	522
In-Kind	512,155	307,523
Other Revenue	-	1,507
Contributions	1,204	-
Total Public Support and Revenue	11,359,299	8,994,740
<b>EXPENSES</b>		
Program Services	10,185,193	7,680,223
Supporting Services:		
Management and General	1,246,283	1,212,859
Total Expenses	11,431,476	8,893,082
<b>CHANGE IN NET ASSETS</b>	(72,177)	101,658
Net Assets - Beginning of Year	1,103,867	1,002,209
<b>NET ASSETS - END OF YEAR</b>	\$ 1,031,690	\$ 1,103,867

See accompanying Notes to Financial Statements.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2022**

<b>FUNCTIONAL EXPENSES</b>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 5,599,251	\$ 702,355	\$ 6,301,606
Consultants	40,368	187,277	227,645
Depreciation	158,235	1,909	160,144
Occupancy	428,036	101,220	529,256
In-Kind	512,155	-	512,155
Insurance	16,410	5,011	21,421
Client Food Services	172,702	2	172,704
Client Housing Services	2,173,522	496	2,174,018
Client Child Care Services	364,477	7,628	372,105
Client Health Services	85,432	350	85,782
Client Transportation Services	20,900	3,322	24,222
Client Loan Services	2,499	992	3,491
Client Emergency Services	200,116	-	200,116
Dues and Licenses	23,138	51,979	75,117
Meetings	90	7,407	7,497
Miscellaneous	2,702	-	2,702
Supplies	208,223	59,131	267,354
Training	85,215	105,955	191,170
Travel	91,722	11,249	102,971
	<u>91,722</u>	<u>11,249</u>	<u>102,971</u>
Total	<u>\$ 10,185,193</u>	<u>\$ 1,246,283</u>	<u>\$ 11,431,476</u>

See accompanying Notes to Financial Statements.



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

<b>FUNCTIONAL EXPENSES</b>	<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
Occupancy	403,495	100,287	503,782
In-Kind	307,523	-	307,523
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
	<u>68,232</u>	<u>4,542</u>	<u>72,774</u>
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.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (72,177)	\$ 101,658
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	160,144	114,660
(Increase) Decrease in Current Assets:		
Grants and Contracts Receivable	(144,466)	(59,737)
Accounts Receivable	(93,660)	18,711
Loan Receivable	(318)	2,932
Prepaid Expenses	(10,432)	(33,516)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(115,423)	100,132
Contract Liabilities	(27,958)	43,346
Deferred Revenue	87,959	(3,428)
Accrued Expenses	102,032	(117,160)
Net Cash Provided (Used) by Operating Activities	(114,299)	167,598
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(89,265)	(285,050)
Net Cash Used by Investing Activities	(89,265)	(285,050)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Debt	-	122,879
Principal Payments on Long-Term Debt	(19,877)	(17,715)
Net Cash Provided (Used) by Financing Activities	(19,877)	105,164
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(223,441)	(12,288)
Cash and Cash Equivalents - Beginning of Year	834,217	846,505
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 610,776	\$ 834,217
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 17,718	\$ 14,762
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
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, 2022 AND 2021**

**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, 2022 and 2021.

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, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants Receivable**

Grants receivable are government and pass-through payments received subsequent to year-end, and are specifically allocated to the Organization's operations for 2022 and 2021. No allowance is deemed necessary as of September 30, 2022 and 2021.

**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, 2022 and 2021.

**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. On February 23, 2023, the Organization entered into an agreement for a construction project that is to start in 2023. The total project costs will approximate \$698,000.

**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, 2022 AND 2021**

**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, 2022 and 2021, 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. However, certain other contributed services that require specialized skills, were provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation, are recognized as revenue and expense.

Such amounts, which are included in the statements of activities, are as follows:

	2022	2021
Rented Space	\$ 95,501	\$ 95,501
Mental Health Consultants	187,945	-
Teacher Volunteers	153,226	189,754
In-Kind Matching Gift - Salaries, Benefits, and Taxes	68,649	20,400
In-Kind Matching Gift - Miscellaneous	6,834	1,468
Marketing	-	400
Total Donated Goods and Services	<u>\$ 512,155</u>	<u>\$ 307,523</u>

Rental space, consultants and marketing services are values at market value. In-kind matching gifts are values at the actual expense incurred. These contributions are utilized by the Organization for program activities and do not have any donor imposed restrictions.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

During fiscal period 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions to nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

**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, 2022 and 2021, amounts received with a progress payment for which the performance obligation is not satisfied is \$32,934 and \$60,892, 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 \$8,536,085 and \$8,933,227, for which qualifying expenditures have not yet been incurred, with a progress payment of \$115,384 and \$3,200, recognized in the statements of financial position as deferred revenue for the years ended September 30, 2022 and 2021, respectively.

**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.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs**

Advertising costs are expensed when incurred. Advertising costs were \$14,109 and \$12,760 for the years ended September 30, 2022 and 2021, 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 March 24, 2023, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The Organization has \$1,524,677 and \$1,509,674 of financial assets available within one year of the balance sheet date consisting of cash of \$610,776 and \$834,217, grants and contracts receivable of \$804,139 and \$659,673, and accounts receivable of \$109,444 and \$15,784, 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 \$952,800 and \$741,090 per month for the years ended September 30, 2022 and 2021, respectively. 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 RECEIVABLE**

	<u>2022</u>	<u>2021</u>
Grants Receivable:		
Federal Programs	\$ 712,304	\$ 551,586
State Programs	91,835	108,087
Total Grants Receivable	<u>\$ 804,139</u>	<u>\$ 659,673</u>

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 4 PROPERTY AND EQUIPMENT**

The Organization's property and equipment at September 30, 2022 and 2021 is comprised of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 112,310	\$ 112,310
Buildings and Improvements	3,280,482	3,280,482
Furniture and Equipment	1,851,995	1,586,020
Construction in Progress	-	176,710
Total Property and Equipment	<u>5,244,787</u>	<u>5,155,522</u>
Less: Accumulated Depreciation	<u>(4,439,614)</u>	<u>(4,279,470)</u>
Property and Equipment, Net	<u>\$ 805,173</u>	<u>\$ 876,052</u>

Depreciation for the years ended September 30, 2022 and 2021 was \$160,144 and \$114,660, respectively.

**NOTE 5 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 2022 and 2021 was \$193,581 and \$188,209, respectively.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 136,864
2024	78,827
2025	79,263
2026	23,018
Total	<u>\$ 317,972</u>

**NOTE 6 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, 2022 and 2021 was \$173,348 and \$164,081, respectively.



**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 7 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>2022</u>	<u>2021</u>
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.	\$ 526,931	\$ 546,808
Less: Current Portion	<u>(20,543)</u>	<u>(19,878)</u>
Total Long-Term Note Payable, Bank	<u>\$ 506,388</u>	<u>\$ 526,930</u>

Approximate maturity of Note Payable, Bank is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 20,543
2024	21,184
2025	21,938
2026	<u>463,266</u>
Total	<u>\$ 526,931</u>

Interest expense for the years ended September 30, 2022 and 2021 was \$17,718 and \$14,762, respectively.

**NOTE 8 CONTRACT LIABILITIES**

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

	<u>2022</u>	<u>2021</u>
Minnesota Housing Finance Agency	<u>\$ 32,934</u>	<u>\$ 60,892</u>
Total Contract Liabilities	<u>\$ 32,934</u>	<u>\$ 60,892</u>

The Organization's contract liabilities as of October 01, 2020 was \$17,546 from the Minnesota Housing Finance Agency.

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 9 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, 2022 through December 31, 2023.

**NOTE 10 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 2022 and 2021, respectively, 63% and 76% of the Organization's revenue and 41% and 61% of the grants receivable balance were from the Head Start Program funded through the U.S. Department of Health and Human Services. Also in 2022 and 2021, 22% and 10% of the Organization's revenue and 22% 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 83% and 81% of total revenue for 2022 and 2021, respectively. State grant revenue accounted for 10% and 13% of total revenues for 2022 and 2021.

**NOTE 11 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2023.

**Report on 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.

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 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

**Report on 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  
March 24, 2023



**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**

***Opinion on Each Major Federal Program***

We have audited Tri-County Community Action Partnership, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Tri-County Community Action Partnership, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tri-County Community Action Partnership, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tri-County Community Action Partnership, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tri-County Community Action Partnership, Inc.'s federal programs.

**Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tri-County Community Action Partnership, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tri-County Community Action Partnership, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tri-County Community Action Partnership, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Tri-County Community Action Partnership, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Tri-County Community Action Partnership, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**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 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on Tri-County Community Action Partnership, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Tri-County Community Action Partnership, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Tri-County Community Action Partnership, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Tri-County Community Action Partnership, Inc.'s response was not subjected to the other 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.



**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
March 24, 2023

**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Minnesota Department of Human Services				
Child and Adult Care Food Program	10.558	1000003687	\$ -	\$ 159,891
Supplemental Nutrition Assistance Program, Outreach/Participant Program	10.580	GRK%163838	-	16,591
Total Minnesota Department of Human Services			-	176,482
Total U.S. Department of Agriculture			-	176,482
<b>U.S. Department of Energy</b>				
Minnesota Department of Commerce				
Weatherization Assistance for Low-Income Persons	81.042	A2500	-	565,935
Total Weatherization Assistance for Low-Income Persons			-	565,935
Total U.S. Department of Energy			-	565,935
<b>U.S. Department of Health and Human Services</b>				
Minnesota Department of Human Services				
Low-Income Home Energy Assistance	93.568	A2117	-	56,861
Low-Income Home Energy Assistance	93.568	A2113	-	512,222
COVID-19 Low-Income Home Energy Assistance	93.568	A2114	-	1,324,569
Total Low-Income Home Energy Assistance			-	1,893,652
Minnesota Department of Human Services				
Community Services Block Grant	93.569	GRK%160095	-	128,849
Community Services Block Grant	93.569	198160	-	149,750
Community Services Block Grant	93.569	H5533767	-	147,025
Total Community Services Block Grant			-	425,624
Direct				
Early Head Start Child Care Partnership	93.600	05HP000319-03-00	-	730,737
Early Head Start Child Care Partnership	93.600	05HP000319-02-02	-	122,198
COVID-19 - Early Head Start CCP	93.600	05CH011516-01-02	-	181,546
COVID-19 - Head Start/Early Head Start ARA	93.600	05HE000402-01-01	-	41,487
Head Start/Early Head Start	93.600	05CH01156-02-02	-	449,622
Head Start/Early Head Start	93.600	05CH01156-02-02	-	3,437,855
Head Start/Early Head Start	93.600	05CH01156-03-01	-	1,379,683
Total Head Start Cluster			-	6,343,128
Total U.S. Department of Health and Human Services			-	8,662,404
Total Federal Expenditures			\$ -	\$ 9,404,821



**TRI-COUNTY COMMUNITY ACTION PARTNERSHIP, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2022**

**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, 2022. 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, 2022**

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***Section I – Summary of Auditors’ Results***

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***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?     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  
93.568  
81.042

**Name of Federal Program or Cluster**

Head Start Cluster  
Low-Income Home Energy Assistance  
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, 2022**

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***Section II – Financial Statement Findings***

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**2022 – 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, 2022**

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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**2022 – 002**

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Head Start

Federal Assistance Listing Number: 93.600

Award Period: June 1, 2021 to June 30, 2022, June 1, 2022 May 31, 2023, August 1, 2021 to July 31, 2023, and April 1, 2021 to March 31, 2023

Type of Finding:

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

**Criteria or Specific Requirement:** A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years

Under 2CFR section 200.303 A nonfederal entity must establish and maintain effective internal controls over the federal awards that provides reasonable assurance that the nonfederal 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's last documented inventory count was taken in 2019.

**Questioned Costs:** N/A

**Context:** The last physical inventory count was taken in 2019.

**Cause:** The Organization did not take a physical inventory count within the past two years and reconcile to the accounting records; however, they do have procedures in place to monitor the inventory in other ways. The organizations inventory that is building related (renovations, upkeep, equipment), they are constantly discussing with their facilities person regarding buildings, fencing, turfing and playground inventory that required repairs and maintenance. Office inventory is within their site at either of their locations where they are at least several times a year to view and inventory what is there. Management meets throughout the year regarding inventory and budgeted items needed.

**Effect:** Potential for missing, old, or out of use property

**Repeat Finding:** No

**Recommendation:** The Organization should ensure a physical inventory count is taken and reconciled to their records at least once every two years.

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



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