

**Community Action Partnership of Hennepin County**

**Financial Statements**

**December 31, 2021 and 2020**



**Community Action Partnership of Hennepin County  
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**Independent Auditor's Report**

Board of Directors  
Community Action Partnership of Hennepin County  
St. Louis Park, Minnesota

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of Community Action Partnership of Hennepin County, which comprise the statements of financial position as of December 31, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Action Partnership of Hennepin County as of December 31, 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.

***Basis for Opinion***

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Action Partnership of Hennepin County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 about Community Action Partnership of Hennepin County's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 Community Action Partnership of Hennepin County's internal control. 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 Community Action Partnership of Hennepin County'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 an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 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 schedule of expenditures of federal awards 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 April 28, 2022, on our consideration of Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County's internal control over financial reporting and compliance.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
April 28, 2022

**Community Action Partnership of Hennepin County**  
**Statements of Financial Position**  
**As of December 31, 2021 and 2020**

<b>Assets</b>	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 246,641	\$ 660,231
Grants and contracts receivable	485,015	711,516
Prepaid expenses	<u>34,455</u>	<u>89,336</u>
Total current assets	<u>766,111</u>	<u>1,461,083</u>
Property and equipment		
Furniture and fixtures	187,736	187,736
Accumulated depreciation	<u>(171,643)</u>	<u>(159,312)</u>
Property and equipment, net	<u>16,093</u>	<u>28,424</u>
Total assets	<u><u>\$ 782,204</u></u>	<u><u>\$ 1,489,507</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 84,867	\$ 165,348
Accrued expenses	56,570	54,769
Compensated absences payable	144,080	140,608
Refundable advances	<u>148,655</u>	<u>738,275</u>
Total liabilities	<u>434,172</u>	<u>1,099,000</u>
Net assets		
Without donor restrictions		
Undesignated	260,813	249,568
Investment in property and equipment	16,093	28,424
With donor restrictions	<u>71,126</u>	<u>112,515</u>
Total net assets	<u>348,032</u>	<u>390,507</u>
Total liabilities and net assets	<u><u>\$ 782,204</u></u>	<u><u>\$ 1,489,507</u></u>

See notes to financial statements.

**Community Action Partnership of Hennepin County**  
**Statements of Activities**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>						
Public support						
Government grants and contracts	\$ 7,087,543	\$ 10,616	\$ 7,098,159	\$ 6,419,076	\$ -	\$ 6,419,076
Corporate/foundation grants	79,045	-	79,045	61,216	-	61,216
Other grants and contributions	11,753	-	11,753	5,933	2,100	8,033
Total public support	<u>7,178,341</u>	<u>10,616</u>	<u>7,188,957</u>	<u>6,486,225</u>	<u>2,100</u>	<u>6,488,325</u>
Program and other revenue						
Program service fees	7,203	-	7,203	1,380	-	1,380
Other	-	-	-	26,561	-	26,561
Investment return, net	165	-	165	2,278	-	2,278
Total program and other revenue	<u>7,368</u>	<u>-</u>	<u>7,368</u>	<u>30,219</u>	<u>-</u>	<u>30,219</u>
Net assets released from restrictions	52,005	(52,005)	-	3,357	(3,357)	-
Total revenue	<u>7,237,714</u>	<u>(41,389)</u>	<u>7,196,325</u>	<u>6,519,801</u>	<u>(1,257)</u>	<u>6,518,544</u>
<b>Expenses</b>						
Program services	6,133,484	-	6,133,484	5,517,618	-	5,517,618
Management and general	1,105,316	-	1,105,316	991,330	-	991,330
Total expenses	<u>7,238,800</u>	<u>-</u>	<u>7,238,800</u>	<u>6,508,948</u>	<u>-</u>	<u>6,508,948</u>
Change in net assets	(1,086)	(41,389)	(42,475)	10,853	(1,257)	9,596
<b>Net Assets</b>						
Beginning of year	<u>277,992</u>	<u>112,515</u>	<u>390,507</u>	<u>267,139</u>	<u>113,772</u>	<u>380,911</u>
End of year	<u>\$ 276,906</u>	<u>\$ 71,126</u>	<u>\$ 348,032</u>	<u>\$ 277,992</u>	<u>\$ 112,515</u>	<u>\$ 390,507</u>

See notes to financial statements.

**Community Action Partnership of Hennepin County**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

	Program Services				Total	Management and General	Total
	Housing	EAP	Community Services	Planning & Development			
<b>Expenses</b>							
Salaries and benefits	\$ 634,258	\$ 1,477,742	\$ 293,835	\$ 398,426	\$ 2,804,261	\$ 823,441	\$ 3,627,702
Professional services	65,410	113,432	23,357	119,296	321,495	129,863	451,358
Travel and conferences	2,051	-	1,455	1,666	5,172	546	5,718
Rent	100,254	107,793	-	43,249	251,296	65,363	316,659
Office expense	32,812	54,927	4,471	6,428	98,638	14,586	113,224
Equipment	39,575	65,279	2,687	13,675	121,216	52,728	173,944
Outreach and promotion	7,695	365,099	-	21,789	394,583	3,000	397,583
Other costs	9,165	8,839	2,126	58,593	78,723	14,513	93,236
Subgrants	-	-	250,000	-	250,000	-	250,000
Direct client services	1,392,879	12,600	391,566	-	1,797,045	-	1,797,045
Depreciation	2,612	6,958	214	1,271	11,055	1,276	12,331
<b>Total expenses</b>	<b><u>\$ 2,286,711</u></b>	<b><u>\$ 2,212,669</u></b>	<b><u>\$ 969,711</u></b>	<b><u>\$ 664,393</u></b>	<b><u>\$ 6,133,484</u></b>	<b><u>\$ 1,105,316</u></b>	<b><u>\$ 7,238,800</u></b>

See notes to financial statements.



**Community Action Partnership of Hennepin County**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services				Total	Management and General	Total
	Housing	EAP	Community Services	Planning & Development			
<b>Expenses</b>							
Salaries and benefits	\$ 584,953	\$ 1,482,581	\$ 196,345	\$ 353,380	\$ 2,617,259	\$ 754,746	\$ 3,372,005
Professional services	68,365	123,114	15,000	115,526	322,005	98,615	420,620
Travel and conferences	4,254	851	225	1,621	6,951	4,456	11,407
Rent	90,063	132,047	-	85,481	307,591	26,445	334,036
Office expense	19,985	45,199	4,515	10,892	80,591	11,584	92,175
Equipment	40,470	86,857	-	17,096	144,423	78,310	222,733
Outreach and promotion	147	301,289	-	28,706	330,142	-	330,142
Other costs	22,100	10,849	889	59,842	93,680	14,713	108,393
Subgrants	-	-	197,151	-	197,151	-	197,151
Direct client services	951,203	329,812	119,094	-	1,400,109	-	1,400,109
Depreciation	4,397	10,535	1,137	1,647	17,716	2,461	20,177
<b>Total expenses</b>	<b><u>\$ 1,785,937</u></b>	<b><u>\$ 2,523,134</u></b>	<b><u>\$ 534,356</u></b>	<b><u>\$ 674,191</u></b>	<b><u>\$ 5,517,618</u></b>	<b><u>\$ 991,330</u></b>	<b><u>\$ 6,508,948</u></b>

See notes to financial statements.

**Community Action Partnership of Hennepin County**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ (42,475)	\$ 9,596
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	12,331	20,177
Change in operating assets and liabilities		
Grants and contracts receivable	226,501	(118,329)
Prepaid expenses	54,881	(18,184)
Accounts payable	(80,481)	(393,254)
Accrued expenses	1,801	(46,227)
Compensated absences payable	3,472	74,318
Refundable advances	(589,620)	446,733
Net cash flows - operating activities	(413,590)	(25,170)
 Net change in cash and cash equivalents	 (413,590)	 (25,170)
 <b>Cash and Cash Equivalents</b>		
Beginning of year	660,231	685,401
End of year	\$ 246,641	\$ 660,231

See notes to financial statements.

**Community Action Partnership of Hennepin County**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Community Action Partnership of Hennepin County (the Organization) is incorporated under the Minnesota Nonprofit Corporation Act and is tax exempt under the federal tax laws.

The Organization is part of a national community action network of over 1,000 agencies that reach every county in the United States and serves over 16 million low-income people. The Organization's purpose is to fight poverty and to assist in providing for the individual and community needs of Hennepin County's low-income community. This purpose is reflected in the Organization's mission: "partner with community to provide effective and responsive services to reduce the impact of poverty in Hennepin County". The Organization provided services to income-eligible individuals including assistance with energy payments, water bill payments, car repair expenses, rental assistance, homebuyer education, homebuyer counseling, savings and asset building, MNSure eligibility determinations and application assistance, tenant training, and financial literacy education. The Organization's service area includes the 45 communities that make up Hennepin County, Minnesota.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

**Grants and Contracts Receivable**

Grants and contracts receivable are amounts outstanding under government reimbursement grant and contract agreements. The Organization recognizes revenue from governmental agreements on a cost reimbursement or fee for service basis. No allowance is deemed necessary due to the nature of the government grants.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, and receivables. The Organization places its cash and cash equivalents with high credit quality financial institutions and the Minnesota Association of Governments Investing for Counties (MAGIC). At times, the Organization's cash and cash equivalents are in excess of the FDIC insurance limit.

Approximately 32% and 43% of the Organization's total public support revenue was provided by various grants from the Minnesota Department of Commerce for the years ended December 31, 2021 and 2020, respectively. An additional 39% and 26% of the Organization's total public support revenue was providing by various grants from the Minnesota Department of Human Services for the years ended December 31, 2021 and 2020, respectively.

**Community Action Partnership of Hennepin County  
Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations of Credit Risk (Continued)**

Total government grants and contracts revenue include funds from the following state and federal programs:

	2021	2020
Community Service Block Grants	\$ 2,821,335	\$ 1,719,016
Minnesota Community Action Grants	856,200	1,219,485
Energy Assistance Program	2,328,727	2,758,765
Homebuyer Education, Counseling, and Training	48,809	65,587
Transitional Housing Program	23,914	41,039
Cornavirus Relief Fund	967,581	585,054
Other	51,593	30,130
Total government grants and contracts	\$ 7,098,159	\$ 6,419,076

**Property and Equipment**

Property and equipment are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over \$5,000.

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

**Net Assets**

Net assets, revenues, gains and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets With Donor Restrictions*

Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Community Action Partnership of Hennepin County**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2021 and 2020, conditional contributions approximating \$8,088,719 and \$11,101,563, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements. Amounts received prior to conditions being met are recorded as refundable advances.

**In-Kind Contributions**

Contributed services and in-kind contributions are recognized if they create or enhance nonfinancial assets or require specialized skills and would need to be purchased if not provided by donation. The value of in-kind gifts is recognized as support at estimated fair market value at the time the gifts are received with an equal and offsetting amount included in the appropriate asset or expense category, as applicable. The Organization did not recognize any in-kind contributions for the years ended December 31, 2021 and 2020.

**Functional Allocation of Expenses**

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services based on estimates of time and effort.

The Organization charges costs to various programs using various bases, such as number of users, according to its internal policy. Costs, which are common to more than one program, have been identified and have been charged to the programs based on metrics that benefit the programs.

**Advertising Costs**

The Organization's policy is to expense advertising costs as they are incurred. During 2021 and 2020, the Organization incurred advertising costs totaling \$127,253 and \$164,672, respectively.

**Income Taxes**

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

**Subsequent Events**

The Organization has evaluated subsequent events through April 28, 2022, the date which the financial statements were available to be issued.

**Community Action Partnership of Hennepin County**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements**

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right-of-use" asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

*Contributed Nonfinancial Assets*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprised of the following as of December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 246,641	\$ 660,231
Grants and contracts receivable	485,015	711,516
	731,656	1,371,747
Less net assets with donor restrictions	(71,126)	(112,515)
Total financial assets available for general expenditures	\$ 660,530	\$ 1,259,232

**Community Action Partnership of Hennepin County**  
**Notes to Financial Statements**

**NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Organization also has a line of credit which it could draw upon in the event of an unanticipated liquidity need.

**NOTE 3 – LINE OF CREDIT**

The Organization has a \$350,000 line of credit agreement with a bank that matures in August 2022. Interest is payable monthly at a percentage equal to the prime rate plus 1.25% with a floor rate of 4.0%. Borrowings under the agreement are secured by substantially all assets of the Organization. There were no outstanding balances as of December 31, 2021 and 2020. In connection with the agreement, the Organization has agreed to certain restrictive covenants.

**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of December 31, 2021 and 2020:

	2021	2020
National foreclosure mitigation counseling program	\$ 8,032	\$ 8,032
HOC MN Project Reinvest	7,714	7,714
FAIM	19,946	45,047
Homeownership capacity	35,434	49,022
Reach Out for Warmth	-	600
Donation restricted to car repair program	-	100
Donation restricted to energy assistance program	-	2,000
	\$ 71,126	\$ 112,515
Total net assets with donor restrictions		

**Community Action Partnership of Hennepin County**  
**Notes to Financial Statements**

**NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets released from donor restrictions consist of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Homeownership counseling grant program	\$ 24,204	\$ -
FAIM	25,101	3,316
Reach Out for Warmth	600	41
Donation restricted to car repair program	100	-
Donation restricted to energy assistance program	2,000	-
Total net assets released from restrictions	\$ 52,005	\$ 3,357

**NOTE 5 – RETIREMENT PLAN**

The Organization has a SIMPLE IRA plan open to all employees upon hire. Employees are allowed to defer amounts from their salary. In addition, the Organization matches employee voluntary contributions up to 3 percent. The Organization's contributions for the years ended December 31, 2021 and 2020, were \$39,995 and \$12,664, respectively.

**NOTE 6 – OPERATING LEASES**

The Organization leases office space and equipment under leases classified as operating leases, the last of which expires July 2022. Total lease expense for the years ended December 31, 2021 and 2020 was \$314,433 and \$331,134, respectively.

Future minimum lease payments under these agreements are \$158,773 for 2022.

**NOTE 7 – CONTINGENCIES**

Financial awards from federal, state, and local governments in the form of grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise with audits since the liability, if any, cannot be determined at this time.



**SUPPLEMENTARY INFORMATION**

**Community Action Partnership of Hennepin County  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021**

Federal Grantor/Cluster Title/Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identification Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Treasury COVID-19 Housing Assistance Program	21.019	MN Housing & Finance Agency	N/A	\$ -	\$ 967,581
U.S. Department of Health and Human Services Low-Income Home Energy Assistance	93.568	MN Dept of Commerce	2102MNE5C6	-	2,328,727
Low-Income Home Energy Assistance - Direct Assistance	93.568	MN Dept of Commerce	N/A	-	13,762,607
Total Low-Income Home Energy Assistance				<u>-</u>	<u>16,091,334</u>
Community Services Block Grant	93.569	MN Dept of Human Services	GRK%160073	218,080	1,977,116
COVID-19 CSBG Supplemental CARES ACT	93.569	MN Dept of Human Services	179935	31,920	844,219
Total Community Services Block Grant				<u>250,000</u>	<u>2,821,335</u>
Total U.S. Department of Health and Human Services				<u>250,000</u>	<u>18,912,669</u>
Total expenditures of federal awards				<u>\$ 250,000</u>	<u>\$ 19,880,250</u>

See notes to schedule of expenditures of federal awards.

**Community Action Partnership of Hennepin County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Community Action Partnership of Hennepin County under programs of the federal government for year ended December 31, 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 Community Action Partnership of Hennepin County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Partnership of Hennepin County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – PASS-THROUGH ENTITY IDENTIFICATION NUMBERS**

Several of the programs, grants and/or awards included in the schedule are missing the pass-through entity identification numbers. The missing numbers are due to the pass-through entities not providing the pass-through entity identification numbers.

**NOTE 4 – INDIRECT COST RATE**

Community Action Partnership of Hennepin County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 5 – ELIGIBILITY DETERMINATIONS**

The Organization assists the State of Minnesota with eligibility determinations for the LIHEAP program. Client benefits for LIHEAP eligible participants are subsequently paid directly by the State of Minnesota. For the year ended December 31, 2021, client benefits are in the amount of \$13,762,607, were paid by the state. These amounts are considered federal awards to the Organization and are included in the schedule of expenditures of federal awards but are not included in the statement of activities.

**Community Action Partnership of Hennepin County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021**

**NOTE 6 – RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

The Organization received government grants and contracts, including funds from the following.

Federal awards	\$ 19,880,250
Less: direct assistance (see Note 5 of SEFA)	(13,762,607)
State awards	957,516
Other awards	<u>23,000</u>
 Total government grants and contracts per statement of activity	 <u><u>\$ 7,098,159</u></u>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Directors  
Community Action Partnership of Hennepin County  
St. Louis Park, Minnesota

We have audited 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, the financial statements of Community Action Partnership of Hennepin County, which comprise the statement of financial position as of year ended December 31, 2021, and the related statements of activities, functional expenses and cashflows for the year the ended, and the related notes to financial statements and have issued our report thereon dated April 28, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Action Partnership of Hennepin County's internal control over financial reporting (internal control) as a basis for designing 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 Community Action Partnership of Hennepin County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community Action Partnership of Hennepin County'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*.

### **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.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
April 28, 2022

**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control over Compliance Required  
by the Uniform Guidance**

Board of Directors  
Community Action Partnership of Hennepin County  
St. Louis Park, Minnesota

**Report on Compliance for Each Major Federal Program**

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

We have audited Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County's major federal programs for the year ended December 31, 2021. Community Action Partnership of Hennepin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Action Partnership of Hennepin County 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 December 31, 2021

***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 (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Community Action Partnership of Hennepin County 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 Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County's federal programs.

### ***Auditor's 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 Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County'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 Community Action Partnership of Hennepin County'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.



## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 2021-001 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 Community Action Partnership of Hennepin County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Community Action Partnership of Hennepin County'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.

*BergankDV, Ltd.*

St. Cloud, Minnesota

April 28, 2022

**Community Action Partnership of Hennepin County  
Schedule of Findings and Questioned Costs**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

**Identification of Major Federal Programs**

Assistance Listing No.:	21.019
Name of Federal Program or Cluster	Coronavirus Relief Fund
Assistance Listing No.:	93.568
Name of Federal Program or Cluster	Low-Income Home Energy Assistance
Assistance Listing No.:	93.569
Name of Federal Program or Cluster	Community Services Block Grant
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Community Action Partnership of Hennepin County  
Schedule of Findings and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Audit Finding 2021-001 – Lack of Documentation Related to Subrecipient Monitoring Controls**

U.S. Department of Human and Health Services  
Pass through Minnesota Department of Human Services  
Community Services Block Grant  
Assistance listing number 93.569  
Subrecipient monitoring

*Criteria:*

2 CFR Part 200.332 states all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification.

It also states to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

*Condition/Context:*

Management did not include the federal award identification, all requirements imposed by the pass-through entity on the subrecipient, and appropriate terms and conditions concerning closeout of the subaward in one of two subrecipient agreements. Management also did not maintain thorough documentation of the monitoring activities performed over the subrecipients.

*Cause:*

Those preparing and reviewing the subrecipient agreements did not identify all requirements under Uniform Guidance. Those monitoring the subrecipients did not thoroughly document the procedures and results of those activities.

*Questioned costs:*

No questioned costs were identified.

*Effect or potential effect:*

As a result of this condition, the subrecipient receiving the subaward may not fully understand the compliance requirements that are applicable to the federal funds being received. Lack of proper documentation of monitoring activities could lead to noncompliance with program requirements and achievement of performance goals.

**Community Action Partnership of Hennepin County  
Schedule of Findings and Questioned Costs**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Audit Finding 2021-001 – Lack of Certain Subrecipient Monitoring Controls (Continued)**

*Recommendation:*

The Organization should review its policies and procedures to ensure all subrecipient agreements include the federal award identification, such as the award number, amount of the award, federal agency where the funds originated, assistance listing number, along with the other required items. The Organization should consider implementing monitoring tools to thoroughly document the activities performed.

*Views of responsible officials:*

Management concurs with the recommendation. Policies and procedures have been written that will be followed when structuring all subrecipient agreements so that all required items will be part of the agreement as written in the policy. Monitoring tools and templates will be used to consistently monitor subrecipients. All policies, procedures, tools, and monitoring documents will be stored in a location within the Organization's file sharing software that authorized staff will have access. This will make sure that necessary tools and documents will be stored in one location that will allow authorized staff to access them as needed even in the event of staff departures.