



# **Community Action**

Partnership of Hennepin County

## **Financial Statements**

**December 31, 2023 and 2022**

**Community Action Partnership of Hennepin County  
Table of Contents**

|   |    |
|---|----|
| Independent Auditor's Report  | 1  |
| Financial Statements  |    |
| Statements of Financial Position  | 4  |
| Statements of Activities  | 5  |
| Statements of Functional Expenses   | 6  |
| Statements of Cash Flows  | 8  |
| Notes to the Financial Statements   | 9  |
| Supplementary Information   |    |
| Schedule of Expenditures of Federal Awards  | 16 |
| Notes to Schedule of Expenditures of Federal Awards   | 17 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 19 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control over Compliance Required by the Uniform Guidance   | 21 |
| Schedule of Findings and Questioned Costs   | 24 |



## Independent Auditor's Report

Board of Directors  
Community Action Partnership of Hennepin County  
Brooklyn 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, 2023 and 2022, 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, 2023 and 2022, 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 were available to be 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 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 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 May 23, 2024, 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.

*BerganKOV, Ltd.*

St. Cloud, Minnesota  
May 23, 2024

**Community Action Partnership of Hennepin County**  
**Statements of Financial Position**  
**As of December 31, 2023 and 2022**

| <b>Assets</b>                                  | 2023         | 2022       |
|--|--------------|------------|
| Current assets                                 |              |            |
| Cash and cash equivalents                      | \$ 26,344    | \$ 237,019 |
| Grants and contracts receivable                | 1,228,011    | 406,852    |
| Prepaid expenses                               | 179,116      | 101,849    |
| Total current assets                           | 1,433,471    | 745,720    |
| Property and equipment                         |              |            |
| Furniture and fixtures                         | 79,618       | 187,736    |
| Accumulated depreciation                       | (76,881)     | (179,786)  |
| Property and equipment, net                    | 2,737        | 7,950      |
| Right-of-use assets - operating leases         | 1,400,946    | 193,692    |
| Total assets                                   | \$ 2,837,154 | \$ 947,362 |
| <br><b>Liabilities and Net Assets</b>          |              |            |
| Current liabilities                            |              |            |
| Outstanding checks in excess of bank balance   | \$ 156,536   | \$ -       |
| Accounts payable                               | 578,123      | 51,469     |
| Accrued expenses                               | 85,413       | 80,879     |
| Compensated absences payable                   | 131,008      | 137,605    |
| Current portion of operating lease liabilities | 153,960      | 169,029    |
| Refundable advances                            | 121,185      | 146,767    |
| Total current liabilities                      | 1,226,225    | 585,749    |
| Operating lease liabilities                    | 1,241,292    | 2,330      |
| Total liabilities                              | 2,467,517    | 588,079    |
| Net assets                                     |              |            |
| Without donor restrictions                     |              |            |
| Undesignated                                   | 285,164      | 268,752    |
| Investment in property and equipment           | 2,737        | 7,950      |
| Total without donor restrictions               | 287,901      | 276,702    |
| With donor restrictions                        | 81,736       | 82,581     |
| Total net assets                               | 369,637      | 359,283    |
| Total liabilities and net assets               | \$ 2,837,154 | \$ 947,362 |

See notes to financial statements.

**Community Action Partnership of Hennepin County**  
**Statements of Activities**  
**Years Ended December 31, 2023 and 2022**

|                                       | 2023                             |                               |                   | 2022                             |                               |                   |
|---------------------------------------|----------------------------------|-------------------------------|-------------------|----------------------------------|-------------------------------|-------------------|
|                                       | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total             | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total             |
| <b>Revenue</b>                        |                                  |                               |                   |                                  |                               |                   |
| <b>Public support</b>                 |                                  |                               |                   |                                  |                               |                   |
| Government grants and contracts       | \$ 7,420,245                     | \$ 5,735                      | \$ 7,425,980      | \$ 7,081,266                     | \$ 17,100                     | \$ 7,098,366      |
| Corporate/foundation grants           | 174,102                          | -                             | 174,102           | 36,378                           | -                             | 36,378            |
| Other grants and contributions        | 14,620                           | -                             | 14,620            | 12,559                           | -                             | 12,559            |
| Total public support                  | <u>7,608,967</u>                 | <u>5,735</u>                  | <u>7,614,702</u>  | <u>7,130,203</u>                 | <u>17,100</u>                 | <u>7,147,303</u>  |
| <b>Program and other revenue</b>      |                                  |                               |                   |                                  |                               |                   |
| Program service fees                  | 3,682                            | -                             | 3,682             | 6,289                            | -                             | 6,289             |
| Interest income                       | 7,675                            | -                             | 7,675             | 3,312                            | -                             | 3,312             |
| Total program and other revenue       | <u>11,357</u>                    | <u>-</u>                      | <u>11,357</u>     | <u>9,601</u>                     | <u>-</u>                      | <u>9,601</u>      |
| Net assets released from restrictions | 6,580                            | (6,580)                       | -                 | 5,645                            | (5,645)                       | -                 |
| Total revenue                         | <u>7,626,904</u>                 | <u>(845)</u>                  | <u>7,626,059</u>  | <u>7,145,449</u>                 | <u>11,455</u>                 | <u>7,156,904</u>  |
| <b>Expenses</b>                       |                                  |                               |                   |                                  |                               |                   |
| Program services                      | 6,424,256                        | -                             | 6,424,256         | 5,998,367                        | -                             | 5,998,367         |
| Management and general                | 1,191,449                        | -                             | 1,191,449         | 1,147,286                        | -                             | 1,147,286         |
| Total expenses                        | <u>7,615,705</u>                 | <u>-</u>                      | <u>7,615,705</u>  | <u>7,145,653</u>                 | <u>-</u>                      | <u>7,145,653</u>  |
| Change in net assets                  | 11,199                           | (845)                         | 10,354            | (204)                            | 11,455                        | 11,251            |
| <b>Net Assets</b>                     |                                  |                               |                   |                                  |                               |                   |
| Beginning of year                     | 276,702                          | 82,581                        | 359,283           | 276,906                          | 71,126                        | 348,032           |
| End of year                           | <u>\$ 287,901</u>                | <u>\$ 81,736</u>              | <u>\$ 369,637</u> | <u>\$ 276,702</u>                | <u>\$ 82,581</u>              | <u>\$ 359,283</u> |

See notes to financial statements.

**Community Action Partnership of Hennepin County**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2023**

|                        | Program Services    |                     |                       |                             |                         | Total               | Management<br>and General | Total               |
|------------------------|---------------------|---------------------|-----------------------|-----------------------------|-------------------------|---------------------|---------------------------|---------------------|
|                        | Housing             | EAP                 | Community<br>Services | Planning and<br>Development | Direct<br>Appropriation |                     |                           |                     |
| <b>Expenses</b>        |                     |                     |                       |                             |                         |                     |                           |                     |
| Salaries and benefits  | \$ 456,815          | \$ 2,334,205        | \$ 348,584            | \$ 371,264                  | \$ 13,700               | \$ 3,524,568        | \$ 1,007,968              | \$ 4,532,536        |
| Professional services  | 37,406              | 294,470             | 68                    | 87,300                      | 13                      | 419,257             | 51,407                    | 470,664             |
| Travel and conferences | 9,856               | 5,742               | 785                   | 3,378                       | -                       | 19,761              | 13,446                    | 33,207              |
| Rent                   | 96,782              | 134,574             | -                     | 32,603                      | 300                     | 264,259             | 50,380                    | 314,639             |
| Office expense         | 22,005              | 49,938              | 10,358                | 5,326                       | 169                     | 87,796              | 12,395                    | 100,191             |
| Equipment              | 50,210              | 146,463             | 469                   | 16,086                      | 757                     | 213,985             | 36,263                    | 250,248             |
| Outreach and promotion | 1,105               | 162,688             | 25                    | 33,904                      | -                       | 197,722             | 3,000                     | 200,722             |
| Other costs            | 16,723              | 18,508              | 3,117                 | 58,056                      | 271                     | 96,675              | 16,590                    | 113,265             |
| Subgrants              | -                   | -                   | -                     | -                           | 877,224                 | 877,224             | -                         | 877,224             |
| Direct client services | 582,044             | 10,390              | 125,361               | -                           | -                       | 717,795             | -                         | 717,795             |
| Depreciation           | 1,336               | 3,878               | -                     | -                           | -                       | 5,214               | -                         | 5,214               |
| <b>Total expenses</b>  | <b>\$ 1,274,282</b> | <b>\$ 3,160,856</b> | <b>\$ 488,767</b>     | <b>\$ 607,917</b>           | <b>\$ 892,434</b>       | <b>\$ 6,424,256</b> | <b>\$ 1,191,449</b>       | <b>\$ 7,615,705</b> |

See notes to financial statements.



**Community Action Partnership of Hennepin County**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

|                        | Program Services    |                     |                       |                             | Total               | Management<br>and General | Total               |
|------------------------|---------------------|---------------------|-----------------------|-----------------------------|---------------------|---------------------------|---------------------|
|                        | Housing             | EAP                 | Community<br>Services | Planning and<br>Development |                     |                           |                     |
| <b>Expenses</b>        |                     |                     |                       |                             |                     |                           |                     |
| Salaries and benefits  | \$ 526,891          | \$ 1,838,947        | \$ 273,581            | \$ 379,315                  | \$ 3,018,734        | \$ 858,167                | \$ 3,876,901        |
| Professional services  | 56,124              | 306,552             | 29,719                | 218,667                     | 611,062             | 164,982                   | 776,044             |
| Travel and conferences | 10,299              | 1,821               | 1,763                 | 796                         | 14,679              | 16,032                    | 30,711              |
| Rent                   | 116,982             | 109,607             | -                     | 65,502                      | 292,091             | 47,253                    | 339,344             |
| Office expense         | 16,844              | 45,559              | 4,053                 | 3,029                       | 69,485              | 8,078                     | 77,563              |
| Equipment              | 43,540              | 285,616             | 189                   | 16,703                      | 346,048             | 40,086                    | 386,134             |
| Outreach and promotion | 17,628              | 221,904             | 214                   | 61,005                      | 300,751             | 280                       | 301,031             |
| Other costs            | 17,677              | 14,259              | 2,971                 | 58,252                      | 93,159              | 12,165                    | 105,324             |
| Subgrants              | -                   | -                   | 300,000               | -                           | 300,000             | -                         | 300,000             |
| Direct client services | 679,145             | 10,600              | 254,713               | -                           | 944,458             | -                         | 944,458             |
| Depreciation           | 1,579               | 5,970               | -                     | 351                         | 7,900               | 243                       | 8,143               |
| Total expenses         | <u>\$ 1,486,709</u> | <u>\$ 2,840,835</u> | <u>\$ 867,203</u>     | <u>\$ 803,620</u>           | <u>\$ 5,998,367</u> | <u>\$ 1,147,286</u>       | <u>\$ 7,145,653</u> |

**Community Action Partnership of Hennepin County  
Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

|   | <u>2023</u>          | <u>2022</u>           |
|---|----------------------|-----------------------|
| <b>Cash Flows - Operating Activities</b>  |                      |                       |
| Change in net assets  | \$ 10,354            | \$ 11,251             |
| Adjustments to reconcile change in net assets<br>to net cash flows - operating activities |                      |                       |
| Depreciation  | 5,214                | 8,143                 |
| Amortization of right-of-use assets   | 238,283              | 278,922               |
| Change in operating assets and liabilities  |                      |                       |
| Grants and contracts receivable   | (821,159)            | 78,163                |
| Prepaid expenses  | (77,267)             | (67,394)              |
| Accounts payable  | 526,654              | (33,398)              |
| Accrued expenses  | 4,534                | 24,309                |
| Compensated absences payable  | (6,597)              | (6,475)               |
| Refundable advances   | (25,582)             | (1,888)               |
| Operating lease liabilities   | (221,645)            | (301,255)             |
| Net cash flows - operating activities   | <u>(367,211)</u>     | <u>(9,622)</u>        |
| <br><b>Cash Flows - Financing Activities</b>  |                      |                       |
| Outstanding checks over bank balance  | <u>156,536</u>       | <u>-</u>              |
| <br>Net change in cash and cash equivalents   | <br>(210,675)        | <br>(9,622)           |
| <br><b>Cash and Cash Equivalents</b>  |                      |                       |
| Beginning of year   | <u>237,019</u>       | <u>246,641</u>        |
| <br>End of year   | <br><u>\$ 26,344</u> | <br><u>\$ 237,019</u> |
| <br><b>Supplemental Disclosure of Cash Flow Information</b>                               |                      |                       |
| Cash payments for operating leases  | <u>\$ 250,559</u>    | <u>\$ 279,806</u>     |
| <br><b>Supplemental Schedule of Noncash Investing and Financing Activities</b>            |                      |                       |
| ROU assets obtained in exchange for operating lease liabilities                           | <u>\$ 1,445,537</u>  | <u>\$ 472,614</u>     |

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 fair value.

#### **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**

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 a limited number of 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 45% and 44% 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, 2023 and 2022, respectively. An additional 24% and 40% of the Organization's total public support revenue was provided by various grants from the Minnesota Department of Human Services for the years ended December 31, 2023 and 2022, respectively.

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

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

**Concentrations (Continued)**

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

|   | <u>2023</u>                | <u>2022</u>                |
|---|----------------------------|----------------------------|
| Community Service Block Grants                | \$ 1,866,378               | \$ 2,893,218               |
| Minnesota Community Action Grants             | 1,052,721                  | 926,090                    |
| Energy Assistance Program                     | 3,279,767                  | 3,171,958                  |
| Household Water Assistance Program            | 164,627                    | -                          |
| Homebuyer Education, Counseling, and Training | 37,148                     | 24,308                     |
| DEED Direct Appropriation                     | 892,434                    | -                          |
| Minnesota DEED Vehicle Repair Prog            | 75,000                     | -                          |
| Other   | <u>57,905</u>              | <u>82,792</u>              |
| Total government grants and contracts revenue | <u><u>\$ 7,425,980</u></u> | <u><u>\$ 7,098,366</u></u> |

**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 with an estimated useful life in excess of one year.

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.

**Leases**

The Organization recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Organization does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Organization are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Organization has elected the practical expedients (1) to discount the lease liability using the risk-free rate for all assets classes, (2) to use hindsight for assessing the lease term and impairment of the ROU assets, and (3) to not separate lease and non-lease components for all asset classes.

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

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

**Net Assets**

Net assets, public support, and other revenue 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-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.

**Revenue Recognition**

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, 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, 2023 and 2022, conditional contributions approximating \$12,019,889 and \$4,220,699 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.

**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. The financial statements report certain categories of expenses that are attributed to a program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied among the program and supporting services based on estimates of time and effort. Certain costs have been allocated among the programs and supporting services based on estimates of time and effort.

The Organization charges costs to 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.

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

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

**Advertising Costs**

The Organization's policy is to expense advertising costs as they are incurred. During 2023 and 2022, the Organization incurred advertising costs totaling \$117,766 and \$208,633, respectively.

**Tax Status**

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 May 23, 2024, the date which the financial statements were available to be issued.

**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, 2023 and 2022:

|   | 2023         | 2022       |
|---|--------------|------------|
| Cash and cash equivalents                                 | \$ 26,344    | \$ 237,019 |
| Grants and contracts receivable                           | 1,228,011    | 406,852    |
| Total financial assets                                    | 1,254,355    | 643,871    |
| Less net assets with donor restrictions                   | 81,736       | 82,581     |
| Total financial assets available for general expenditures | \$ 1,172,619 | \$ 561,290 |

The Organization generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. 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 2024. Interest is payable monthly at a percentage equal to the prime rate plus 1.25% with a floor rate of 6.75%. Borrowings under the agreement are secured by substantially all assets of the Organization. There were no outstanding balances as of December 31, 2023 and 2022. In connection with the agreement, the Organization has agreed to certain restrictive covenants.

**NOTE 4 - LEASES**

The Organization has operating agreements for office space and office equipment with remaining lease terms through July 2038. Some leases contain multi-year renewal options, some of which are reasonably certain of exercise. Payments under these lease arrangements are all fixed.

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

**NOTE 4 - LEASES (CONTINUED)**

Lease expense consists of the following for the years ended December 31, 2023 and 2022:

|                                       | 2023           | 2022           |
|---------------------------------------|----------------|----------------|
| Lease expense                         | \$ 252,044     | \$ 281,667     |
| Short term and variable lease expense | 62,595         | 57,678         |
| <br>Total lease expense               | <br>\$ 314,639 | <br>\$ 339,345 |

As of December 31, 2023 and 2022, operating leases had a weighted-average remaining lease term of 11 and 9 years and the weighted-average discount rate was 4.03% and 0.22%, respectively.

Future minimum lease payments under non-cancellable leases are as follows as of December 31, 2023:

|  |                  |
|--|------------------|
| 2024                                   | \$ 212,253       |
| 2025                                   | 218,575          |
| 2026                                   | 187,235          |
| 2027                                   | 125,871          |
| 2028                                   | 125,203          |
| Thereafter                             | 844,976          |
| Total minimum lease payments           | 1,714,113        |
| Less amount representing interest      | 318,861          |
| <br>Present value of lease liabilities | <br>\$ 1,395,252 |

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of December 31, 2023 and 2022:

|  | 2023          | 2022          |
|--|---------------|---------------|
| National Foreclosure Mitigation Counseling Program | \$ 8,032      | \$ 8,032      |
| HOC MN Project Reinvest                            | 7,714         | 7,714         |
| FAIM   | 12,722        | 14,301        |
| Homeownership capacity                             | 53,033        | 47,534        |
| Wright/Hennepin Electric Trust                     | 235           | -             |
| Allina Health                                      | -             | 5,000         |
| <br>Total net assets with donor restrictions       | <br>\$ 81,736 | <br>\$ 82,581 |

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

**NOTE 6 - 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, 2023 and 2022, were \$40,694 and \$44,387, respectively.

**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.

**NOTE 8 - RECLASSIFICATIONS**

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the current-year presentation with no effect on previously reported net assets. Prepaid rent was netted with current portion of operating lease liabilities rather than with right-of-use assets - operating leases.



## **SUPPLEMENTARY INFORMATION**

**Community Action Partnership of Hennepin County  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

| 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 Housing and Urban Development          |                           |                                |   |                           |                      |
| Housing Counseling Assistance Program                     | 14.169                    | Minnesota Homeownership Center | FY2022-05                                 | \$ -                      | \$ 991               |
| Community Development Block Grants / Entitlement Grants   | 14.218                    | Hennepin County                | PR00005248                                | -                         | 17,586               |
| Total U.S. Department of Housing and Urban Development    |                           |                                |   | <u>-</u>                  | <u>18,577</u>        |
| U.S. Department of Health and Human Services              |                           |                                |   |                           |                      |
| Low-Income Household Water Assistance                     | 93.499                    | MN Dept of Commerce            | 2102MNLWC6/2102MNLWC5                     | -                         | 164,627              |
| Low-Income Household Water Assistance - Direct Assistance | 93.499                    | MN Dept of Commerce            | N/A                                       | -                         | 1,097,610            |
| Total Low-Income Household Water Assistance               |                           |                                |   | <u>-</u>                  | <u>1,262,237</u>     |
| Low-Income Home Energy Assistance                         | 93.568                    | MN Dept of Commerce            | 2302MNLIEA/2402MNLIEA                     | -                         | 3,279,767            |
| Low-Income Home Energy Assistance - Direct Assistance     | 93.568                    | MN Dept of Commerce            | N/A                                       | -                         | 17,830,155           |
| Total Low-Income Home Energy Assistance                   |                           |                                |   | <u>-</u>                  | <u>21,109,922</u>    |
| Community Services Block Grant                            | 93.569                    | MN Dept of Human Services      | 197459/229426                             | -                         | 1,866,378            |
| Total Community Services Block Grant                      |                           |                                |   | <u>-</u>                  | <u>1,866,378</u>     |
| Total U.S. Department of Health and Human Services        |                           |                                |   | <u>-</u>                  | <u>24,238,537</u>    |
| NeighborWorks America                                     |                           |                                |   |                           |                      |
| Housing Stability Counseling Program                      | 99.U19                    | Minnesota Homeownership Center | N/A                                       | -                         | 2,769                |
| Total expenditures of federal awards                      |                           |                                |   | <u>\$ -</u>               | <u>\$ 24,259,883</u> |

See notes to schedule of expenditures of federal awards.

## **Community Action Partnership of Hennepin County Notes to Schedule of Expenditures of Federal Awards**

### **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, 2023. 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**

Community Action Partnership of Hennepin County assists the State of Minnesota with eligibility determinations for the Low-Income Home Energy Assistance and Low-Income Household Water Assistance programs. Client benefits for Low-Income Home Energy Assistance and Low-Income Household Water Assistance participants are subsequently paid directly by the State of Minnesota. For the year ended December 31, 2023, client benefits in the amount of \$18,927,765 were paid by the state. These amounts are considered federal awards to Community Action Partnership of Hennepin County 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**

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

Community Action Partnership of Hennepin County received government grants and contracts, including funds from the following for the year ended December 31, 2023:

|   | <u>2023</u>                    |
|---|--------------------------------|
| Federal awards  | \$ 24,259,883                  |
| Less direct assistance (see Note 5 of SEFA)                           | 18,927,765                     |
| State awards  | 2,091,362                      |
| Other awards  | <u>2,500</u>                   |
| <br>Total government grants and contracts per statement of activities | <br><u><u>\$ 7,425,980</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  
Brooklyn 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 December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year the ended, and the related notes to the financial statements and have issued our report thereon dated May 23, 2024.

**Report on 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 Community Action Partnership of Hennepin County'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 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 yet important enough to merit attention by those charged with governance.

**Report on 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.

A handwritten signature in black ink that reads "Bergan KOV, Ltd." in a cursive script.

St. Cloud, Minnesota  
May 23, 2024



**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  
Brooklyn 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, 2023. 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, 2023.

***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**

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



Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

*Bergan KOV, Ltd.*

St. Cloud, Minnesota  
May 23, 2024

**Community Action Partnership of Hennepin County  
Schedule of Findings and Questioned Costs  
December 31, 2023**

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

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: 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? None reported

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)? No

**Identification of Major Federal Programs**

Assistance Listing Number(s): 93.568  
Name of Federal Program or Cluster: Low-Income Home Energy Assistance

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  
December 31, 2023**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.