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Community Action Partnership of Hennepin County

Financial Statements

December 31, 2019 and 2018

Community Action Partnership of Hennepin County
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Partnership of Hennepin County (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects the financial position of Community Action Partnership of Hennepin County as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter
As discussed in Note 1 to the financial statements the Community Action Partnership of Hennepin County adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information
Our audits were 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020 on our consideration of the Organization'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 to solely 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 Organization'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 the Organization's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
April 23, 2020

FINANCIAL STATEMENTS

Community Action Partnership of Hennepin County
Statements of Financial Position
As of December 31, 2019 and 2018

	2019	2018
Assets		(restated)
Current assets		
Cash and cash equivalents	$ 685,401	$ 178,185
Grants and contracts receivable	593,187	416,041
Prepaid expenses	71,152	78,850
Investments	-	108,830
Total current assets	1,349,740	781,906
Property and Equipment		
Furniture and fixtures	187,736	174,052
Accumulated depreciation	(139,135)	(121,695)
Property and equipment, net	48,601	52,357
Total assets	$ 1,398,341	$ 834,263
Liabilities and Net Assets		
Current liabilities		
Line of credit	$ -	$ 229,819
Accounts payable	558,602	86,635
Accrued expenses	100,996	113,226
Compensated absences payable	66,290	64,076
Grant advances	291,542	47,870
Total liabilities	1,017,430	541,626
Net assets		
Without donor restrictions		
Undesignated	218,538	104,237
Designated for future initiatives	-	108,830
Investment in property and equipment	48,601	52,357
Total without donor restrictions	267,139	265,424
With donor restrictions	113,772	27,213
Total net assets	380,911	292,637
Total liabilities and net assets	$ 1,398,341	$ 834,263

See notes to financial statements.

Community Action Partnership of Hennepin County
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019			2018 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Public support						
Government grants and contracts	$ 6,708,015	$ 105,740	$ 6,813,755	$ 5,791,555	$ -	$ 5,791,555
Corporate/foundation grants	13,784	-	13,784	7,440	-	7,440
Other grants and contributions	2,424	-	2,424	908	-	908
Total public support	6,724,223	105,740	6,829,963	5,799,903	-	5,799,903
Program and other revenue						
Program service fees	16,979	-	16,979	7,276	-	7,276
Investment return, net	13,496	-	13,496	(4,998)	-	(4,998)
Total program and other revenue	30,475	-	30,475	2,278	-	2,278
Net assets released from restrictions	19,181	(19,181)	-	191,267	(191,267)	-
Total revenue	6,773,879	86,559	6,860,438	5,993,448	(191,267)	5,802,181
Expenses						
Program services	5,842,543	-	5,842,543	5,024,333	-	5,024,333
Management and general	929,621	-	929,621	1,274,047	-	1,274,047
Fundraising	-	-	-	-	-	-
Total expenses	6,772,164	-	6,772,164	6,298,380	-	6,298,380
Change in net assets	1,715	86,559	88,274	(304,932)	(191,267)	(496,199)
Net Assets						
Beginning of year	265,424	27,213	292,637	570,356	218,480	788,836
End of year	$ 267,139	$ 113,772	$ 380,911	$ 265,424	$ 27,213	$ 292,637

See notes to financial statements.

Community Action Partnership of Hennepin County
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services						
	Housing	EAP	Community Services	Planning & Development	Total	Management and General	Total
Expenses							
Salaries and benefits	$ 575,546	$ 1,325,796	$ 141,281	$ 181,800	$ 2,224,423	$ 456,998	$ 2,681,421
Professional services	40,869	127,941	558	74,188	243,556	240,769	484,325
Travel and conferences	8,199	9,012	1,201	3,426	21,838	8,713	30,551
Rent	77,051	157,849	38,029	48,862	321,791	63,718	385,509
Office expense	15,633	56,632	2,155	9,006	83,426	18,677	102,103
Equipment	50,830	73,093	3,875	8,079	135,877	59,177	195,054
Outreach and promotion	250	296,784	-	83,900	380,934	-	380,934
Other costs	8,381	6,554	7,990	2,726	25,651	79,108	104,759
Subgrants	-	-	-	1,270,006	1,270,006	-	1,270,006
Direct client services	381,486	475,071	134,501	129,004	1,120,062	-	1,120,062
Total expenses before depreciation	1,158,245	2,528,732	329,590	1,810,997	5,827,564	927,160	6,754,724
Depreciation	3,045	9,134	804	1,996	14,979	2,461	17,440
Total expenses	$ 1,161,290	$ 2,537,866	$ 330,394	$ 1,812,993	$ 5,842,543	$ 929,621	$ 6,772,164

See notes to financial statements.

Community Action Partnership of Hennepin County
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services						
	Housing	EAP	Community Services	Planning & Development	Total	Management and General	Total
Expenses							
Salaries and benefits	$ 843,072	$ 1,271,660	$ 284,248	$ 314,747	$ 2,713,727	$ 603,494	$ 3,317,221
Professional services	110,494	171,249	5,491	699	287,933	477,082	765,015
Travel and conferences	19,339	3,147	3,287	4,575	30,348	20,673	51,021
Rent	72,517	149,821	30,714	31,018	284,070	82,667	366,737
Office expense	18,634	44,572	9,916	5,719	78,841	19,339	98,180
Equipment	22,737	49,177	7,736	10,143	89,793	4,192	93,985
Outreach and promotion	52,266	252,584	101	97,710	402,661	2,902	405,563
Other costs	12,014	7,089	11,661	1,104	31,868	59,812	91,680
Direct client services	358,857	545,287	77,287	108,682	1,090,113	1,425	1,091,538
Total expenses before depreciation	1,509,930	2,494,586	430,441	574,397	5,009,354	1,271,586	6,280,940
Depreciation	3,045	9,134	804	1,996	14,979	2,461	17,440
Total expenses	$ 1,512,975	$ 2,503,720	$ 431,245	$ 576,393	$ 5,024,333	$ 1,274,047	$ 6,298,380

See notes to financial statements.

Community Action Partnership of Hennepin County
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018 (restated)
Cash Flows - Operating Activities		
Change in net assets	$ 88,274	$ (496,199)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	17,440	17,440
Unrealized and realized loss (gain) on investments	(22)	6,615
Change in operating assets and liabilities		
Grants and contracts receivable	(177,146)	242,559
Prepaid expenses	7,698	(11,966)
Accounts payable	458,283	(26,055)
Accrued expenses	(12,230)	(34,375)
Compensated absences payable	2,214	(2,228)
Grant advances	243,672	(27,476)
Net cash flows - operating activities	628,183	(331,685)
Cash Flows - Investing Activities		
Investment purchases	-	(527)
Investment sales	108,852	-
Net cash flows - investing activities	108,852	(527)
Cash Flows - Financing Activities		
Net change in line of credit	(229,819)	229,819
Net change in cash and cash equivalents	507,216	(102,393)
Cash and Cash Equivalents		
Beginning of year	178,185	280,578
End of year	$ 685,401	$ 178,185
Supplemental Cash Flow Information		
Cash paid for interest	$ 13,761	$ 5,981
Property and equipment included in accounts payable	$ 13,684	$ -

See 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 single 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: "ensure a life of dignity and opportunity for those in need throughout Hennepin County". As part of the Organization's provided services, individuals with low income received assistance with energy payments, water bill payments, car repair expenses, homebuyer education, homebuyer counseling, savings and asset building, eligibility determinations and application assistance for SNAP and MnSure, tenant training, and financial literacy education. The Organization's service area includes the 45 communities that make up Hennepin County, Minnesota.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Organization considers cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and cash equivalents consist of demand deposits and U.S. Government money market funds. Excluded from cash and cash equivalents are cash money market funds maintained for investment purposes.

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. Based upon prior experience and continual assessments of future collections, the Organization estimates there is no allowance for uncollectible grants and contracts receivable deemed necessary.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of mutual funds and money market funds held at fair value. On January 30, 2019, the Organization liquidated its investments.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair market value at the date of donation. Depreciation is computed using appropriate straight-line methods over estimated useful lives of property and equipment. The Organization considers items with a cost greater than $5,000 and a useful life greater than two years to be property and equipment. Estimated useful lives of property and equipment range from five to eight years.

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.

Compensated Absences Payable

Employees are entitled to personal time off, depending on job classification, length of service, and other factors. A liability for compensated absences is shown in the statements of financial position.

Grant Advances

Grant advances represents the Organization's liability for funds collected in advance of services rendered. All grant advances are classified as current and will be recognized over the next year.

Net Assets

Net assets, revenues, gains and losses 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 certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for future initiatives for the year ended December 31, 2018.

Net Assets With Donor Restrictions
Net assets subject to donor- (or certain 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 restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (the 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 restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Energy Assistance Payments

The organization has a grant with the State of Minnesota Department of Commerce for outreach, intake, eligibility and certification of LIHEAP-eligible participants. Client benefits for LIHEAP-eligible participants are subsequently paid directly by the State of Minnesota. For 2019 and 2018, client benefits in the amount of $11,200,425 and $11,719,761, respectively, paid by the state, are not included in the statements of activities.

Revenue and Revenue Recognition

Contributions 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.

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019 and 2018, conditional contributions approximately $6,708,845 and $6,222,409, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Program service fees revenue is recognized as performance obligations are satisfied. Performance obligations are satisfied at a point in time and revenue is recognized when goods or services are provided to customers, and it is not required to provide additional goods or services. The Organization determines the transaction price based on standard charges for goods and services provided.

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 in 2019 and 2018.

Functional Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

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.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Organization's policy is to the expense advertising costs are they incurred. During 2019 and 2018, the Organization incurred advertising costs totaling $189,710 and $188,565, respectively.

Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from Minnesota franchise and income tax.

The Organization is required to assess whether any uncertain tax positions exist and if there should be recognition of a related benefit or liability in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Recently Adopted Accounting Pronouncements

Revenue Recognition
On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts with Customers* ("ASU No. 2014-09" or "Topic 606"), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification "ASC" Topic 605, Revenue Recognition ("Topic 605") and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. Generally, the Organization's revenues are recognized at a point in time, as such the impact of the adoption of the new standard was insignificant to the financial statements.

Clarifying Guidance for Contributions Received and Contributions Made
On January 1, 2019, FASB ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* became effective. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The impact of the update resulted in $27,870 of grant revenue that had been previously deferred being recognized as of January 1, 2019.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

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 to use" an 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 November 2019, the FASB issued ASU No. 2019-10 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. 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:

	2019	2018
Cash and cash equivalents	$ 685,401	$ 178,185
Grants and contracts receivable	593,187	416,041
Investments	-	108,830
	1,278,588	703,056
Less grant advances	(291,542)	(47,870)
Less net assets designated for future initiatives	-	(108,830)
Less net assets with donor restrictions	(113,772)	(27,213)
Total financial assets available for general expenditures	$ 873,274	$ 519,143

The Organization does not have a formal policy; however it 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 would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

NOTE 3 – FAIR VALUE OF INVESTMENTS

The fair value measurements and disclosures topic of FASB Accounting Standards Codification (ASC) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any related market activity.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds - valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Money markets - are traded on an active market for which a closing price is readily available.

Fair value of assets measured on recurring basis are as follows:

	Level 1	Level 2	Level 3
December 31, 2018			
Mutal funds	$ 105,511	$ -	$ -
Money markets	3,319	-	-
Total investments	$ 108,830	$ -	$ -

NOTE 4 – LINE OF CREDIT

The Organization had a $350,000 line of credit with an interest rate of 5%. The line of credit was secured by all of the assets of the Organization and was paid in full in December 2019. At December 31, 2018 there was a balance of $229,819 on the line of credit.

NOTE 5 – DONOR RESTRICTED NET ASSETS

	2019	2018
National foreclosure mitigation counseling program	$ 8,032	$ 8,032
Low income residents of Minneapolis	-	14,181
HOC MN Project Reinvest	7,714	-
FAIM	48,363	-
Homeownership capacity	49,022	-
Reach Out for Warmth	641	-
Homeownership counseling grant program	-	5,000
Total net assets with donor restrictions	$ 113,772	$ 27,213

	2019	2018
Low income residents of Minneapolis	$ 14,181	$ 136,267
Homeownership counseling grant program	5,000	-
Low and moderate income residents of Hennepin county	-	50,000
Aging in place home stabilization program	-	5,000
Total net assets released from restrictions	$ 19,181	$ 191,267

NOTE 6 – RETIREMENT PLAN

The Organization sponsored a 403(b) retirement plan (the "Plan"). The Plan was open to all employees who had been employed by the Organization for three months. Employees were allowed to defer amounts from their salary. In addition, the Organization contributed to the Plan. Those employer contributions were determined at the discretion of the Board of Directors. Participants were vested at the time of employer contribution. In August 2019, the Organization suspended the Plan, and no employee or employer contributions were made subsequently. The Organization's contributions to the Plan for 2019 and 2018 were $23,174 and $57,224, respectively.

NOTE 7 – OPERATING LEASES

The Organization leases office facilities and equipment under operating leases, the last of which expires in July 2022 (see also Note 11). Rent expense for leases was $385,034 and $364,791 for 2019 and 2018, respectively.

Future minimum payments under these agreements are as follows:

2020	$ 310,719
2021	268,654
2022	158,773
Total future minimum lease payments	$ 738,146

NOTE 8 - CONCENTRATIONS

Cash and Cash Equivalents

The Organization maintains cash balances at a local bank. The accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At certain times during the year, the Organization had cash on deposit in excess of the FDIC insured limits.

The Organization has funds held at the Minnesota Association of Governments Investing for Counties (MAGIC). The balance in this fund at December 31, 2019 and 2018 was $706,629 and $233,143, respectively. This fund is not insured or guaranteed by the FDIC.

Revenue

Approximately 40% and 50% of the Organization's grant funding was provided by various grants from the Minnesota Department of Commerce for 2019 and 2018, respectively. An additional 57% and 44% of the Organization's grant funding was providing by various grants from the Minnesota Department of Human Services for 2019 and 2018, respectively.

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

	2019	2018
Community Service Block Grants	$ 2,689,253	$ 1,945,359
Minnesota Community Action Grants	1,117,709	587,068
Supplemental Nutrition Assistance Program	22,378	56,217
Energy Assistance Program	2,696,120	2,919,491
Homebuyer Education, Counseling, and Training	121,124	136,880
Transitional Housing Program	10,056	15,732
Other	157,115	130,808
Total government grants and contracts	$ 6,813,755	$ 5,791,555

NOTE 9 – FISCAL AGENT AGREEMENT

The Organization acted as a fiscal agent for Community Links. The Organization received $2,000 and disbursed $3,454 during 2018. The arrangement concluded in 2018.

NOTE 10 – 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 11 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 23, 2020, the date which the financial statements were available to be issued.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Organization may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the Organization's financial statements at December 31, 2019 cannot be determined at this time.

On March 30, 2020, the Organization amended the office facilities operating lease agreement, The term was extended for two additional years, expiring July 2022. The amended terms are reflected in the future minimum payments in Note 7.

On April 8, 2020, the Organization entered into an employment agreement with the new Executive Director Dr. Clarence Hightower. The agreement is effective until April 30, 2022 unless terminated earlier.

Effective March 31, 2020 the Organization amended the services agreement with Community Action Partnership of Ramsey and Washington Counties, Inc. to reflect 1) a termination of the Executive Director Services and the Administrative Services, while maintaining the services of the Director of Client Services for the remainder of the term; and 2) a payment reduction as a result of the termination of the Executive Director Services and the Administrative Services. The term of the services agreement expires April 30, 2020 for the Director of Client Services.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The Organization received an increase in its final federally approved indirect cost rate effective from January 1, 2018 through December 31, 2018 in July 2019. Accordingly, the Organization restated its financial statements for the year ended December 31, 2018. The effect of the correction was to increase grants receivable as of December 31, 2018 and grant revenue for 2018 by $57,246. The cumulative effect increased beginning net assets without donor restrictions for 2019 by $57,246.

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SUPPLEMENTARY INFORMATION

Community Action Partnership of Hennepin County
Schedule of Expenditure of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor/Cluster Title/Program Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture					
SNAP Cluster					
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MN Dept of Human Services	GRK%102144	$ -	$ 22,378
Total SNAP Cluster				-	22,378
Total U.S. Department of Agriculture				-	22,378
U.S. Department of Housing and Urban Development					
Housing Counseling Assistance Program	14.169	MN Homeownership Center	80662/FY2018-17	-	12,924
CDBG - Entitlement Grants Cluster					
Community Development Block Grants / Entitlements grants	14.218	Plymouth Housing and Redevelopment Authority	unknown	-	516
Community Development Block Grants / Entitlements grants	14.218	Hennepin County	unknown	-	15,563
Total CDBG - Entitlement Grants Cluster				-	16,079
Total U.S. Department of Housing and Urban Development				-	29,003
U.S. Department of Health and Human Services					
Low Income Home Energy Assistance	93.568	MN Dept of Commerce	Unknown	-	2,022,005
Low Income Home Energy Assistance	93.568	MN Dept of Commerce	Unknown	-	675,111
Low Income Home Energy Assistance - Direct Assistance	93.568	MN Dept of Commerce	Unknown	-	11,200,425
Total Low Income Home Energy Assistance				-	13,897,541
Community Services Block Grant	93.569	MN Dept of Human Services	GRK%121337	1,270,006	2,677,982
Total U.S. Department of Human Services				1,270,006	16,575,523
Total Expenditures of Federal Awards				$1,270,006	$ 16,626,904

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, 2019

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 (the "Organization") under programs of the federal government for year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported 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 in the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – PASS THROUGH ENITITY 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

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

NOTE 5 – ELIGBILITY 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, 2019, client benefits are in the amount of $11,200,425, 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.

Community Action Partnership of Hennepin County
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

NOTE 6 – RECONCILATION TO THE STATEMENT OF ACTIVITIES

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

	2019
Federal awards	$ 16,637,181
Less: direct assistance (see Note 5 of SEFA)	(11,200,425)
State awards	1,286,284
Other awards	90,715
Total government grants and contracts per statement of activity	$ 6,813,755

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*

Independent Auditor's Report

To the 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, 2019, 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 23, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
April 23, 2019

Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Community Action Partnership of Hennepin County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

Purpose of Report
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 23, 2020

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?	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

CFDA No.:	93.568
Name of Federal Program or Cluster	Low-Income Home Energy Assistance
CFDA 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?	No

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

None reported.