

Community Action Partnership of Hennepin County

Financial Statements

December 31, 2022 and 2021



**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	18
Notes to Schedule of Expenditures of Federal Awards	19
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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	26

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Action Partnership of Hennepin County, which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the entity adopted new accounting guidance Financial Accounting Standards Board Accounting Standards Codification Topic 842: *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Action Partnership of Hennepin County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Action Partnership of Hennepin County's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 April 27, 2023, on our consideration of Community Action Partnership of Hennepin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Action Partnership of Hennepin County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Partnership of Hennepin County's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
April 27, 2023

Community Action Partnership of Hennepin County
Statements of Financial Position
As of December 31, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 237,019	\$ 246,641
Grants and contracts receivable	406,852	485,015
Prepaid expenses	<u>101,849</u>	<u>34,455</u>
Total current assets	<u>745,720</u>	<u>766,111</u>
Property and equipment		
Furniture and fixtures	187,736	187,736
Accumulated depreciation	<u>(179,786)</u>	<u>(171,643)</u>
Property and equipment, net	<u>7,950</u>	<u>16,093</u>
Right-of-use assets - operating leases	<u>217,886</u>	<u>-</u>
Total assets	<u><u>\$ 971,556</u></u>	<u><u>\$ 782,204</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 51,469	\$ 84,867
Accrued expenses	80,879	56,570
Compensated absences payable	137,605	144,080
Current portion of operating lease liabilities	193,223	-
Refundable advances	<u>146,767</u>	<u>148,655</u>
Total current liabilities	609,943	434,172
Operating lease liabilities	<u>2,330</u>	<u>-</u>
Total liabilities	<u>612,273</u>	<u>434,172</u>
Net assets		
Without donor restrictions		
Undesignated	268,752	260,813
Investment in property and equipment	<u>7,950</u>	<u>16,093</u>
Total without donor restrictions	276,702	276,906
With donor restrictions	<u>82,581</u>	<u>71,126</u>
Total net assets	<u>359,283</u>	<u>348,032</u>
Total liabilities and net assets	<u><u>\$ 971,556</u></u>	<u><u>\$ 782,204</u></u>

See notes to financial statements.

Community Action Partnership of Hennepin County
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Public support						
Government grants and contracts	\$ 7,081,266	\$ 17,100	\$ 7,098,366	\$ 7,087,543	\$ 10,616	\$ 7,098,159
Corporate/foundation grants	36,378	-	36,378	79,045	-	79,045
Other grants and contributions	12,559	-	12,559	11,753	-	11,753
Total public support	<u>7,130,203</u>	<u>17,100</u>	<u>7,147,303</u>	<u>7,178,341</u>	<u>10,616</u>	<u>7,188,957</u>
Program and other revenue						
Program service fees	6,289	-	6,289	7,203	-	7,203
Interest income	3,312	-	3,312	165	-	165
Total program and other revenue	<u>9,601</u>	<u>-</u>	<u>9,601</u>	<u>7,368</u>	<u>-</u>	<u>7,368</u>
Net assets released from restrictions	5,645	(5,645)	-	52,005	(52,005)	-
Total revenue	<u>7,145,449</u>	<u>11,455</u>	<u>7,156,904</u>	<u>7,237,714</u>	<u>(41,389)</u>	<u>7,196,325</u>
Expenses						
Program services	5,998,367	-	5,998,367	6,133,484	-	6,133,484
Management and general	1,147,286	-	1,147,286	1,105,316	-	1,105,316
Total expenses	<u>7,145,653</u>	<u>-</u>	<u>7,145,653</u>	<u>7,238,800</u>	<u>-</u>	<u>7,238,800</u>
Change in net assets	(204)	11,455	11,251	(1,086)	(41,389)	(42,475)
Net Assets						
Beginning of year	276,906	71,126	348,032	277,992	112,515	390,507
End of year	<u>\$ 276,702</u>	<u>\$ 82,581</u>	<u>\$ 359,283</u>	<u>\$ 276,906</u>	<u>\$ 71,126</u>	<u>\$ 348,032</u>

See notes to financial statements.

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

	Program Services				Total	Management and General	Total
	Housing	EAP	Community Services	Planning and Development			
Expenses							
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
Statement of Functional Expenses
Year Ended December 31, 2021

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

Community Action Partnership of Hennepin County
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows - Operating Activities		
Change in net assets	\$ 11,251	\$ (42,475)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	8,143	12,331
Amortization of right-of-use assets	278,922	-
Change in operating assets and liabilities		
Grants and contracts receivable	78,163	226,501
Prepaid expenses	(91,588)	54,881
Accounts payable	(33,398)	(80,481)
Accrued expenses	24,309	1,801
Compensated absences payable	(6,475)	3,472
Refundable advances	(1,888)	(589,620)
Operating lease liabilities	(277,061)	-
Net cash flows - operating activities	(9,622)	(413,590)
Net change in cash and cash equivalents	(9,622)	(413,590)
 Cash and Cash Equivalents		
Beginning of year	246,641	660,231
End of year	\$ 237,019	\$ 246,641
 Supplemental Schedule of Noncash Investing and Financing Activities		
ROU assets obtained in exchange for operating lease liabilities	\$ 472,614	\$ -

Community Action Partnership of Hennepin County
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

Accounting Estimates

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

Cash Equivalents

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

Grants and Contracts Receivable

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

Concentrations of Credit Risk

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

Approximately 44% and 32% 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, 2022 and 2021, respectively. An additional 40% and 39% of the Organization's total public support revenue was providing by various grants from the Minnesota Department of Human Services for the years ended December 31, 2022 and 2021, respectively.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

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

	<u>2022</u>	<u>2021</u>
Community Service Block Grants	\$ 2,893,218	\$ 2,821,335
Minnesota Community Action Grants	926,090	856,200
Energy Assistance Program	3,171,958	2,328,727
Homebuyer Education, Counseling, and Training	24,308	48,809
Transitional Housing Program	-	23,914
Cornavirus Relief Fund	-	967,581
Other	<u>82,792</u>	<u>51,593</u>
Total government grants and contracts	<u><u>\$ 7,098,366</u></u>	<u><u>\$ 7,098,159</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

Effective January 1, 2022, the Organization classifies leases as either operating or finance leases at the commencement date of the lease. A lease is classified as a finance lease if any of the five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying assets and the lessee is reasonably certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying assets, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying assets or (5) the underlying assets are of such a specialized nature that they are expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

Community Action Partnership of Hennepin County
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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 expedient that allows for private companies to utilize the risk-free rate based on asset class.

Prior to January 1, 2022, the Organization accounted for its leases as either operating or capital leases. Assets and liabilities for operating leases were not recorded and rent expense was recorded within operations on a straight-line basis over the term of the lease.

Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

Community Action Partnership of Hennepin County
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2022 and 2021, conditional contributions approximating \$4,220,699 and \$8,088,719, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements. Amounts received prior to conditions being met are recorded as refundable advances.

In-Kind Contributions

Contributed services and in-kind contributions are recognized if they create or enhance nonfinancial assets or require specialized skills and would need to be purchased if not provided by donation. The value of in-kind gifts is recognized as support at estimated fair market value at the time the gifts are received with an equal and offsetting amount included in the appropriate asset or expense category, as applicable. The Organization did not recognize any in-kind contributions for the years ended December 31, 2022 and 2021.

Functional Allocation of Expenses

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

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

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2022 and 2021, the Organization incurred advertising costs totaling \$208,633 and \$127,253, respectively.

Income Taxes

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

Community Action Partnership of Hennepin County
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU were applied on a retrospective basis and did not have a material impact on the financial statements.

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, utilizing the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption. Operating leases with a duration greater than 12 months are included in operating lease right-of-use assets and lease liabilities on the statement of financial position as of December 31, 2022. The Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization did not reassess at adoption (a) whether the contract contains a lease under Topic 842, (b) whether classification of the operating lease would be different in accordance with Topic 842, or (c) initial direct costs for existing leases. The Organization also elected the practical expedients (1) to discount the lease liability using the risk-free rate, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components.

As a result of the adoption of the new lease accounting standard, the Organization's statement of financial position was impacted by the recognition of its ROU assets and lease liabilities of \$165,237. There was no significant impact on the statements of activities, functional expenses, or cash flows as a result of the adoption.

Subsequent Events

The Organization has evaluated subsequent events through April 27, 2023, the date which the financial statements were available to be issued.

Community Action Partnership of Hennepin County
Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprised of the following as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 237,019	\$ 246,641
Grants and contracts receivable	406,852	485,015
	643,871	731,656
Less net assets with donor restrictions	82,581	71,126
Total financial assets available for general expenditures	\$ 561,290	\$ 660,530

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

NOTE 3 – LINE OF CREDIT

The Organization has a \$350,000 line of credit agreement with a bank that matures in August 2023. Interest is payable monthly at a percentage equal to the prime rate plus 1.25% with a floor rate of 4.0%. Borrowings under the agreement are secured by substantially all assets of the Organization. There were no outstanding balances as of December 31, 2022 and 2021. 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 of one to three years. Some leases contain multi-year renewal options, some of which are reasonably certain of exercise. Payments under these lease arrangements are all fixed.

For the year ended December 31, 2022, cash paid for amounts included in the measurement of operating lease liabilities was \$279,806 and lease expense was \$281,667, there were no short-term and variable lease costs. As of December 31, 2022, operating leases had a weighted-average remaining lease term of 9 months and the weighted-average discount rate was 0.22%.

Rent expense, which was accounted for under ASC 840, for all operating leases was \$314,433 for the year ended December 31, 2021.

Community Action Partnership of Hennepin County
Notes to Financial Statements

NOTE 4 – LEASES (CONTINUED)

Future minimum lease payments under non-cancellable leases are as follows as of December 31, 2022:

2023	\$ 194,723
2024	1,171
2025	1,171
Total minimum lease payments	197,065
Less amount representing interest	1,512
Present value of lease liabilities	\$ 195,553

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2022 and 2021:

	2022	2021
National Foreclosure Mitigation Counseling Program	\$ 8,032	\$ 8,032
HOC MN Project Reinvest	7,714	7,714
FAIM	14,301	19,946
Homeownership capacity	47,534	35,434
Allina Health	5,000	-
Total net assets with donor restrictions	\$ 82,581	\$ 71,126

Net assets released from donor restrictions consist of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions		
Homeownership Counseling Grant Program	\$ -	\$ 24,204
FAIM	5,645	25,101
Reach Out for Warmth	-	600
Donation restricted to car repair program	-	100
Donation restricted to energy assistance program	-	2,000
Total net assets released from restrictions	\$ 5,645	\$ 52,005

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, 2022 and 2021, were \$44,387 and \$39,995, 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 – SUBSEQUENT EVENT

In February 2023, the Organization entered into a lease agreement for new office space that is not included in the above future minimum lease payments. The term of the lease is five years and three months commencing on May 1, 2023, and terminating on July 31, 2028. The first three months of rent are free and subsequent monthly lease amounts are fixed and escalate in August each year. Monthly amounts range from \$7,770 to \$8,583 over the term of the lease. The Organization is also responsible for its proportionate share of operating costs.

SUPPLEMENTARY INFORMATION

**Community Action Partnership of Hennepin County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

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					
HUD Housing Counseling Program	14.169	Minnesota Homeownership Center	FY2021-05/FY2022-05	\$ -	\$ 18,184
Community Development Block Grants / Entitlement grants	14.218	Hennepin County	PR00003290	-	20,000
Total U.S. Department of Housing and Urban Development				<u>-</u>	<u>38,184</u>
U.S. Department of Health and Human Services					
Low-Income Home Energy Assistance	93.568	MN Dept of Commerce	2202MNLIEA/2302MNLIEA/2102MNLWC5	-	1,778,592
COVID-19 Low-Income Home Energy Assistance	93.568	MN Dept of Commerce	2202MNLIEA/2302MNLIEA/2102MNLWC5	-	1,363,991
Low-Income Home Energy Assistance - Direct Assistance	93.568	MN Dept of Commerce	N/A	-	24,664,754
Total Low-Income Home Energy Assistance				<u>-</u>	<u>27,807,337</u>
COVID-19 Low-Income Household Water Assistance	93.499	MN Dept of Commerce	2102MNLWC6	-	29,375
Low-Income Household Water Assistance - Direct Assistance	93.499	MN Dept of Commerce	N/A	-	349,758
Total Low-Income Household Water Assistance				<u>-</u>	<u>379,133</u>
Community Services Block Grant	93.569	MN Dept of Human Services	197459	-	1,658,479
COVID-19 CSBG Supplemental CARES ACT	93.569	MN Dept of Human Services	179935	300,000	1,234,740
Total Community Services Block Grant				<u>300,000</u>	<u>2,893,219</u>
Total U.S. Department of Health and Human Services				<u>300,000</u>	<u>31,079,689</u>
NeighborWorks America					
Housing Stability Counseling Program	99.U19	Minnesota Homeownership Center	N/A	-	848
Total expenditures of federal awards				<u>\$ 300,000</u>	<u>\$31,118,721</u>

**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, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Community Action Partnership of Hennepin County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Partnership of Hennepin County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH ENTITY IDENTIFICATION NUMBERS

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

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – ELIGIBILITY DETERMINATIONS

The Organization assists the State of Minnesota with eligibility determinations for the 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, 2022, client benefits in the amount of \$25,014,512 were paid by the state. These amounts are considered federal awards to the Organization and are included in the schedule of expenditures of federal awards but are not included in the statement of activities.

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

NOTE 6 – RECONCILIATION TO THE STATEMENT OF ACTIVITIES

The Organization received government grants and contracts, including funds from the following for the year ended December 31, 2022:

Federal awards	\$ 31,118,721
Less direct assistance (see Note 5 of SEFA)	25,014,512
State awards	991,658
Other awards	<u>2,499</u>
 Total government grants and contracts per statement of activities	 <u><u>\$ 7,098,366</u></u>

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action Partnership of Hennepin County, which comprise the statement of financial position as of year ended December 31, 2022, 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 27, 2023.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Partnership of Hennepin County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BergankDV, Ltd.

St. Cloud, Minnesota
April 27, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Action Partnership of Hennepin County's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Community Action Partnership of Hennepin County's major federal programs for the year ended December 31, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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.

BergankDV, Ltd.

St. Cloud, Minnesota
April 27, 2023

**Community Action Partnership of Hennepin County
Schedule of Findings and Questioned Costs
December 31, 2022**

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): 93.499
Name of Federal Program or Cluster: Low-Income Household Water Assistance

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, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.