

**Community Action Partnership of Hennepin County**

**Financial Statements**

**December 31, 2020 and 2019**



**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, 2020 and 2019, 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, 2020 and 2019, 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***

#### ***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 22, 2021, 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 22, 2021

## **FINANCIAL STATEMENTS**

**Community Action Partnership of Hennepin County**  
**Statements of Financial Position**  
**As of December 31, 2020 and 2019**

<b>Assets</b>	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 660,231	\$ 685,401
Grants and contracts receivable	711,516	593,187
Prepaid expenses	<u>89,336</u>	<u>71,152</u>
Total current assets	<u>1,461,083</u>	<u>1,349,740</u>
Property and Equipment		
Furniture and fixtures	187,736	187,736
Accumulated depreciation	<u>(159,312)</u>	<u>(139,135)</u>
Property and equipment, net	<u>28,424</u>	<u>48,601</u>
Total assets	<u><u>\$ 1,489,507</u></u>	<u><u>\$ 1,398,341</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 165,348	\$ 558,602
Accrued expenses	54,769	100,996
Compensated absences payable	140,608	66,290
Grant advances	<u>738,275</u>	<u>291,542</u>
Total liabilities	<u>1,099,000</u>	<u>1,017,430</u>
Net assets		
Without donor restrictions		
Undesignated	249,568	218,538
Investment in property and equipment	<u>28,424</u>	<u>48,601</u>
Total without donor restrictions	<u>277,992</u>	<u>267,139</u>
With donor restrictions	<u>112,515</u>	<u>113,772</u>
Total net assets	<u>390,507</u>	<u>380,911</u>
Total liabilities and net assets	<u><u>\$ 1,489,507</u></u>	<u><u>\$ 1,398,341</u></u>

**Community Action Partnership of Hennepin County**  
**Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>						
Public support						
Government grants and contracts	\$ 6,419,076	\$ -	\$ 6,419,076	\$ 6,708,015	\$ 105,740	\$ 6,813,755
Corporate/foundation grants	61,216	-	61,216	13,784	-	13,784
Other grants and contributions	5,933	2,100	8,033	2,424	-	2,424
Total public support	<u>6,486,225</u>	<u>2,100</u>	<u>6,488,325</u>	<u>6,724,223</u>	<u>105,740</u>	<u>6,829,963</u>
Program and other revenue						
Program service fees	1,380	-	1,380	16,979	-	16,979
Other	26,561	-	26,561	-	-	-
Investment return, net	2,278	-	2,278	13,496	-	13,496
Total program and other revenue	<u>30,219</u>	<u>-</u>	<u>30,219</u>	<u>30,475</u>	<u>-</u>	<u>30,475</u>
Net assets released from restrictions	3,357	(3,357)	-	19,181	(19,181)	-
Total revenue	<u>6,519,801</u>	<u>(1,257)</u>	<u>6,518,544</u>	<u>6,773,879</u>	<u>86,559</u>	<u>6,860,438</u>
<b>Expenses</b>						
Program services	5,517,618	-	5,517,618	5,842,543	-	5,842,543
Management and general	991,330	-	991,330	929,621	-	929,621
Fundraising	-	-	-	-	-	-
Total expenses	<u>6,508,948</u>	<u>-</u>	<u>6,508,948</u>	<u>6,772,164</u>	<u>-</u>	<u>6,772,164</u>
Change in net assets	10,853	(1,257)	9,596	1,715	86,559	88,274
<b>Net Assets</b>						
Beginning of year	<u>267,139</u>	<u>113,772</u>	<u>380,911</u>	<u>265,424</u>	<u>27,213</u>	<u>292,637</u>
End of year	<u>\$ 277,992</u>	<u>\$ 112,515</u>	<u>\$ 390,507</u>	<u>\$ 267,139</u>	<u>\$ 113,772</u>	<u>\$ 380,911</u>

5 See notes to financial statements.

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

	Program Services				Total	Management and General	Total
	Housing	EAP	Community Services	Planning & Development			
<b>Expenses</b>							
Salaries and benefits	\$ 584,953	\$ 1,482,581	\$ 196,345	\$ 353,380	\$ 2,617,259	\$ 754,746	\$ 3,372,005
Professional services	68,365	123,114	15,000	115,526	322,005	98,615	420,620
Travel and conferences	4,254	851	225	1,621	6,951	4,456	11,407
Rent	90,063	132,047	-	85,481	307,591	26,445	334,036
Office expense	19,985	45,199	4,515	10,892	80,591	11,584	92,175
Equipment	40,470	86,857	-	17,096	144,423	78,310	222,733
Outreach and promotion	147	301,289	-	28,706	330,142	-	330,142
Other costs	22,100	10,849	889	59,842	93,680	14,713	108,393
Subgrants	-	-	197,151	-	197,151	-	197,151
Direct client services	951,203	329,812	119,094	-	1,400,109	-	1,400,109
Total expenses before depreciation	1,781,540	2,512,599	533,219	672,544	5,499,902	988,869	6,488,771
Depreciation	4,397	10,535	1,137	1,647	17,716	2,461	20,177
Total expenses	<u>\$ 1,785,937</u>	<u>\$ 2,523,134</u>	<u>\$ 534,356</u>	<u>\$ 674,191</u>	<u>\$ 5,517,618</u>	<u>\$ 991,330</u>	<u>\$ 6,508,948</u>



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

	Program Services				Total	Management and General	Total
	Housing	EAP	Community Services	Planning & Development			
<b>Expenses</b>							
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	<u>\$ 1,161,290</u>	<u>\$ 2,537,866</u>	<u>\$ 330,394</u>	<u>\$ 1,812,993</u>	<u>\$ 5,842,543</u>	<u>\$ 929,621</u>	<u>\$ 6,772,164</u>

**Community Action Partnership of Hennepin County**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ 9,596	\$ 88,274
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	20,177	17,440
Unrealized and realized gain on investments	-	(22)
Change in operating assets and liabilities		
Grants and contracts receivable	(118,329)	(177,146)
Prepaid expenses	(18,184)	7,698
Accounts payable	(393,254)	458,283
Accrued expenses	(46,227)	(12,230)
Compensated absences payable	74,318	2,214
Grant advances	446,733	243,672
Net cash flows - operating activities	(25,170)	628,183
 <b>Cash Flows - Investing Activities</b>		
Investment sales	-	108,852
 <b>Cash Flows - Financing Activities</b>		
Net change in line of credit	-	(229,819)
 Net change in cash and cash equivalents	(25,170)	507,216
 <b>Cash and Cash Equivalents</b>		
Beginning of year	685,401	178,185
End of year	\$ 660,231	\$ 685,401
 <b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 239	\$ 13,761
Property and equipment included in accounts payable	\$ -	\$ 13,684

See notes to financial statements.

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

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

**Nature of Organization**

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

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

**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.

**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.

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

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

**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.

*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 (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 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.

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

**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 2020 and 2019, client benefits in the amount of \$9,733,904 and \$11,200,425, 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, 2020 and 2019, conditional contributions approximating \$11,101,563 and \$6,708,845, 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 2020 and 2019.

**Functional Expenses and Cost Allocations**

The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses 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.

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

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

**Advertising Costs**

The Organization's policy is to the expense advertising costs are they incurred. During 2020 and 2019, the Organization incurred advertising costs totaling \$164,672 and \$189,710, respectively.

**Tax Status**

The Organization is a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities unrelated to the exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Recently Issued Accounting Pronouncements**

*Contributed Nonfinancial Assets*

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

*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 June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

**Subsequent Events**

The Organization has evaluated subsequent events through April 22, 2021, 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:

	2020	2019
Cash and cash equivalents	\$ 660,231	\$ 685,401
Grants and contracts receivable	711,516	593,187
	1,371,747	1,278,588
Less grant advances	(738,275)	(291,542)
Less net assets with donor restrictions	(112,515)	(113,772)
Total financial assets available for general expenditures	\$ 520,957	\$ 873,274

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. As more fully described in Note 3, 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**

In 2020, the Organization signed a \$250,000 line of credit agreement with a bank that matures in August 2021. 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 was no outstanding balance at December 31, 2020.

In connection with the agreement, the Organization has agreed to certain restrictive covenants. For 2020 the Organization is not aware of any violations of these covenants.

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

**NOTE 4 – DONOR RESTRICTED NET ASSETS**

	2020	2019
National foreclosure mitigation counseling program	\$ 8,032	\$ 8,032
HOC MN Project Reinvest	7,714	7,714
FAIM	45,047	48,363
Homeownership capacity	49,022	49,022
Reach Out for Warmth	600	641
Donation restricted to car repair program	100	-
Donation restricted to energy assistance program	2,000	-
	<u>\$ 112,515</u>	<u>\$ 113,772</u>
Total net assets with donor restrictions	<u>\$ 112,515</u>	<u>\$ 113,772</u>
	2020	2019
Low income residents of Minneapolis	\$ -	\$ 14,181
Homeownership counseling grant program	-	5,000
FAIM	3,316	-
Reach Out for Warmth	41	-
	<u>\$ 3,357</u>	<u>\$ 19,181</u>
Total net assets released from restrictions	<u>\$ 3,357</u>	<u>\$ 19,181</u>

**NOTE 5 – RETIREMENT PLANS**

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. In August 2019, the Organization suspended the Plan, and no employee or employer contributions were made subsequently.

In 2020 the Organization started a SIMPLE IRA plan. The SIMPLE IRA plan is 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 2020 and 2019, were \$12,664 and \$23,174, respectively.



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

**NOTE 6 – OPERATING LEASES**

The Organization leases office facilities and equipment under operating leases, the last of which expires in July 2022. Rent expense for leases was \$331,134 and \$385,034 for 2020 and 2019, respectively.

Future minimum lease payments under these agreements are as follows:

2021	\$ 268,654
2022	<u>158,773</u>
Total future minimum lease payments	<u><u>\$ 427,427</u></u>

**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 – 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, 2020 and 2019, was \$802,913 and \$706,629, respectively. This fund is not insured or guaranteed by the FDIC.

**Revenue**

Approximately 43% and 40% of the Organization's grant funding was provided by various grants from the Minnesota Department of Commerce for 2020 and 2019, respectively. An additional 26% and 57% of the Organization's grant funding was provided by various grants from the Minnesota Department of Human Services for 2020 and 2019, respectively.

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

**NOTE 8 – CONCENTRATIONS (CONTINUED)**

**Revenue (Continued)**

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

	<u>2020</u>	<u>2019</u>
Community Service Block Grants	\$ 1,719,016	\$ 2,689,253
Minnesota Community Action Grants	1,219,485	1,117,709
Supplemental Nutrition Assistance Program	-	22,378
Energy Assistance Program	2,758,765	2,696,120
Homebuyer Education, Counseling, and Training	65,587	121,124
Transitional Housing Program	41,039	10,056
Cornavirus Relief Fund	585,054	-
Other	<u>30,130</u>	<u>157,115</u>
Total government grants and contracts	<u><u>\$ 6,419,076</u></u>	<u><u>\$ 6,813,755</u></u>

**NOTE 9 – RISKS AND UNCERTAINTIES**

On March 13, 2020, a national emergency was declared for 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 cannot be determined at this time.

**SUPPLEMENTARY INFORMATION**

**Community Action Partnership of Hennepin County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2020**

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 Housing and Urban Development Housing Counseling Assistance Program	14.169	MN Homeownership Center	80662/FY2018-17	\$ -	\$ 13,165
CDBG - Entitlement Grants Cluster					
Community Development Block Grants / Entitlements grants	14.218	Hennepin County	Unknown	-	15,563
Total CDBG - Entitlement Grants Cluster				-	15,563
Total U.S. Department of Housing and Urban Development				-	28,728
U.S. Department of Treasury					
COVID-19 Coronavirus Relief Fund	21.019	MN Housing & Finance Agency	SLT0232	-	366,855
COVID-19 Coronavirus Relief Fund	21.019	MN Department of Public Safety	A-CRF-2021-CAPSH-224	-	218,199
Total COVID-19 Coronavirus Relief Fund				-	585,054
Total U.S. Department of Treasury				-	585,054
U.S. Department of Health and Human Services					
Low Income Home Energy Assistance	93.568	MN Dept of Commerce	Unknown	-	2,758,765
Low Income Home Energy Assistance - Direct Assistance	93.568	MN Dept of Commerce	Unknown	-	9,733,904
Total Low Income Home Energy Assistance				-	12,492,669
Community Services Block Grant	93.569	MN Dept of Human Services	GRK%121337	197,151	1,543,958
COVID-19 CSBG Supplemental CARES ACT	93.569	MN Dept of Human Services	179935	-	175,058
Total Community Services Block Grant				197,151	1,719,016
Total U.S. Department of Health and Human Services				197,151	14,211,685
Total expenditures of federal awards				\$ 197,151	\$14,825,467

**Community Action Partnership of Hennepin County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020**

**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, 2020. 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 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**

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

**NOTE 5 – ELIGIBILITY DETERMINATIONS**

The Organization assists the State of Minnesota with eligibility determinations for the LIHEAP program. Client benefits for LIHEAP eligible participants are subsequently paid directly by the State of Minnesota. For the year ended December 31, 2020, client benefits are in the amount of \$9,733,904, 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, 2020**

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

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

	<u>2020</u>
Federal awards	\$ 14,825,467
Less: direct assistance (see Note 5 of SEFA)	(9,733,904)
State awards	1,312,013
Other awards	<u>15,500</u>
 Total government grants and contracts per statement of activity	 <u><u>\$ 6,419,076</u></u>

**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, 2020, 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 22, 2021.

**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 22, 2021



**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, 2020. 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, 2020.

## **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 22, 2021

**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.:	21.019
Name of Federal Program or Cluster	COVID-19 Coronavirus Relief Fund
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.