

Financial Statements

Tri-County Community Action, Inc.
(a Nonprofit Organization)
Little Falls, Minnesota

For the Years Ended
September 30, 2015 and 2014

TRI-COUNTY COMMUNITY ACTION, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Community Action, Inc.
Little Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Community Action, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of September 30, 2015 and 2014 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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 audit. We conducted our audit 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 judgment, 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 above present fairly, in all material respects, the financial position of the Organization as of September 30, 2015 and 2014 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.

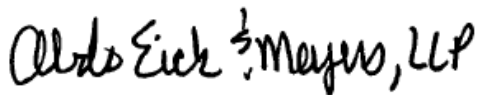
Other Matters

Other 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 to 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 December 7, 2015, on our consideration 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 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 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 7, 2015

FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY ACTION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,694,726	\$ 1,592,027
Grants and contracts receivable	297,617	364,871
Accounts receivable	27,505	64,212
Prepaid expenses	86,625	68,986
Loans receivable, net - current	283	2,981
Accrued receivable	72,728	56,832
TOTAL CURRENT ASSETS	2,179,484	2,149,909
LOANS RECEIVABLE, NET - NONCURRENT	-	1,823
PROPERTY AND EQUIPMENT, NET	890,969	1,188,945
TOTAL ASSETS	\$ 3,070,453	\$ 3,340,677
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable, bank	\$ 51,594	\$ 49,229
Accounts payable	91,386	76,308
Accrued expenses	435,946	419,462
TOTAL CURRENT LIABILITIES	578,926	544,999
NOTES PAYABLE, BANK	1,255,687	1,308,737
TOTAL LIABILITIES	1,834,613	1,853,736
NET ASSETS		
Unrestricted:		
Undesignated	388,776	697,640
Designated for property and equipment	66,757	66,757
Designated for revolving loan fund	483,392	483,573
Designated for employee's annual/medical accruals	296,915	238,971
TOTAL NET ASSETS	1,235,840	1,486,941
TOTAL LIABILITIES AND NET ASSETS	\$ 3,070,453	\$ 3,340,677

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
UNRESTRICTED PUBLIC SUPPORT AND REVENUE		
UNRESTRICTED REVENUE AND GAINS		
Government grants and contracts	\$ 5,997,101	\$ 5,818,810
Other contracts	44,911	75,520
Client loan services	16,785	20,332
Investment income	1,319	2,698
Other revenue	5,592	7,476
Contributions	1,100	1,470
TOTAL UNRESTRICTED REVENUE AND GAINS	6,066,808	5,926,306
EXPENSES		
Program services	5,764,738	5,515,768
Supporting services		
Management and general	553,171	449,399
TOTAL EXPENSES	6,317,909	5,965,167
CHANGE IN NET ASSETS	(251,101)	(38,861)
NET ASSETS, BEGINNING	1,486,941	1,525,802
NET ASSETS, ENDING	\$ 1,235,840	\$ 1,486,941

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015		
	Program Services	Supporting Services Management and General	Total
Salaries and benefits	\$ 3,304,837	\$ 449,399	\$ 3,754,236
Consultants	172,964	16,446	189,410
Depreciation and amortization	351,313	35,022	386,335
Occupancy	359,034	1,670	360,704
Insurance	49,119	6,761	55,880
Client food services	135,008	-	135,008
Client housing services	571,365	-	571,365
Client health services	29,825	-	29,825
Client transportation services	269,250	-	269,250
Client children services	74,066	-	74,066
Client loan services	30,728	-	30,728
Dues and licenses	34,192	5,759	39,951
Meetings	7,540	3,083	10,623
Supplies	131,709	17,826	149,535
Training	71,327	1,995	73,322
Travel	172,461	15,210	187,671
Total expenses	<u>\$ 5,764,738</u>	<u>\$ 553,171</u>	<u>\$ 6,317,909</u>

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2014		
	Program Services	Supporting Services Management and General	Total
Salaries and benefits	\$ 3,157,199	\$ 382,588	\$ 3,539,787
Consultants	162,741	16,555	179,296
Depreciation and amortization	375,140	31,190	406,330
Occupancy	359,037	5,661	364,698
Insurance	46,330	4,018	50,348
Client food services	123,082	-	123,082
Client housing services	628,049	-	628,049
Client health services	26,060	-	26,060
Client transportation services	196,402	-	196,402
Client children services	74,015	-	74,015
Client loan services	27,298	-	27,298
Dues and licenses	39,727	2,416	42,143
Meetings	12,077	416	12,493
Supplies	76,373	(4,869)	71,504
Training	51,008	1,663	52,671
Travel	161,230	9,761	170,991
 Total expenses	 <u>\$ 5,515,768</u>	 <u>\$ 449,399</u>	 <u>\$ 5,965,167</u>

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (251,101)	\$ (38,861)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	386,335	406,330
Loss on disposal of property and equipment	-	478
Change in current assets and liabilities		
Grants and contracts receivable	67,254	117,412
Accounts receivable	36,707	(18,380)
Prepaid expenses	(17,639)	(7,962)
Loans receivable, net	4,521	(3,790)
Accrued receivables	(15,896)	(9,871)
Accounts payable	15,078	(80,803)
Accrued expenses	16,484	34,646
NET CASH PROVIDED BY OPERATING ACTIVITIES	241,743	399,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(88,359)	(261,568)
Proceeds from disposal of property and equipment	-	1,000
	(88,359)	(260,568)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable, bank	(50,685)	(48,223)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,699	90,408
BEGINNING CASH AND CASH EQUIVALENTS	1,592,027	1,501,619
ENDING CASH AND CASH EQUIVALENTS	\$ 1,694,726	\$ 1,592,027
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 66,402	\$ 63,017
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Disposal of fully depreciated fixed assets	\$ 30,759	\$ 90,096

See Independent Auditor's Report and Notes to Financial Statements.

TRI-COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Tri-County Community Action, Inc. (the Organization) was incorporated in September 1965. The mission of the Organization is to promote economic self-sufficiency of individuals and families experiencing poverty in Todd, Morrison and Crow Wing Counties of Minnesota. The resources provided are primarily through grants from the Federal Health and Human Services Head Start program and the Minnesota Department of Human Services.

Significant programs of the Organization include:

Housing and Weatherization Program - The Housing and Weatherization Program reduces energy costs by providing energy saving improvements installed by insured, trained contractors for eligible low-income households. A component of the Housing and Weatherization Program, the Minnesota Housing Finance Agency (MHFA) provides funding which enables local contractors and building supply centers to perform essential repairs. Revenues for this program totaled \$749,697 and \$833,264 or approximately 10 percent and 11 percent of total support and revenue for the years ended September 30, 2015 and 2014, respectively.

Head Start Program - The Head Start Program provides child development activities in a classroom setting to eligible low-income families with children from prenatal to kindergarten. The home-based program also provides child development activities in a combination of home and classroom settings. Revenues for this program totaled \$6,015,407 and \$5,860,114 or approximately 83 percent and 81 percent of total support and revenue for the years ended September 30, 2015 and 2014, respectively.

Economic Development Program - The Economic Development Program is a program to assist eligible low-income recipients in starting their own businesses and becoming self-sufficient through commitment and hard work. This program includes comprehensive business management training with an emphasis on “bottom line” decision-making, assistance in realistic evaluation of business potential, access to start-up financing, and a problem solving support network.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are those resources over which the Organization has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or the passage of time. There were no temporarily restricted net assets as of September 30, 2015 and 2014.

Permanently Restricted Net Assets

Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets as of September 30, 2015 and 2014.

TRI-COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Use of 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 the reported amounts and disclosures. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

E. Grants and Contracts Receivable

Grants and contracts receivable are amounts outstanding under government reimbursement grants and contract agreements. No allowance for uncollectible amounts has been estimated as management expects to collect the outstanding balances.

F. Accounts Receivable

Accounts receivable are amounts owed to the Organization from nongovernment grantors. No allowance for uncollectible amounts has been estimated as management expects to collect the outstanding balances.

G. Loans Receivable

Loans receivable consist of loans made through the revolving loan program to small, start-up businesses in an effort to assist in their development. The Organization may or may not require collateral on its loans receivable. Any amounts not paid in accordance with the agreement terms are considered past due. Interest is charged at a range of two points below prime up to two points above prime and is only recognized when collected. The Organization provides an allowance for doubtful loans, which is offset against the gross amount of loan receivables. The allowance for doubtful loans is an estimate of collection losses that may be incurred in the collection of all loans based upon historical experience coupled with management's review of the current status of the existing loans. During the years ended September 30, 2015 and 2014, bad debt expense was \$3,000 and \$0, respectively.

H. Accrued Receivable

Accrued receivable consists of an estimate for future telephone credits for telephone expenses that occurred during the fiscal year.

I. Property and Equipment

Property and equipment with an initial cost of \$5,000 or more are reported on the statements of financial position and are stated at cost or fair market value at the date of acquisition or donation. Depreciation is computed using appropriate straight-line methods over estimated useful lives ranging from 5 to 30 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 reversionary interest in the property and equipment purchased with grant funds; its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

TRI-COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Public Support and Revenue

The Organization receives substantially all of its grant and contract revenue from government reimbursement or fee for service agreements. Client auto loan services revenue is recognized when collected amounts are received.

K. In-Kind Contributions

The Organization receives a significant amount of donated services from unpaid volunteers who assist in programs. No amounts have been recognized because the criteria for recognition under ASC Subtopic 958-605 Not-for-Profit Entities Revenue Recognition have not been satisfied.

L. Advertising

Advertising costs are expensed when incurred. Advertising costs for the years ended September 30, 2015 and 2014 were \$18,219 and \$16,768, respectively.

M. Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

N. Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Under FASB ASC 740-10-50 the Organization estimates that it has no tax liability for uncertain tax positions and that this estimate will not change significantly during 2015. The Organization recognizes potential accrued interest and penalties pertaining to income tax related issues, if any, as an income tax expense. During 2015 and 2014, no penalties and interest were recorded. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed.

O. Concentration of Credit Risk

The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

P. Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through December 7, 2015, the date the financial statements were available to be issued.

TRI-COUNTY COMMUNITY ACTION, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015 AND 2014

Note 2: LOANS RECEIVABLE

At September 30, 2015 and 2014 loans receivable is comprised of the following:

	2015	2014
Small business loans, current and noncurrent	\$ 283	\$ 4,804
Less: allowance for doubtful loans	-	-
Total	\$ 283	\$ 4,804
Loans receivable, net - current portion	\$ 283	\$ 2,981
Loans receivable, net - noncurrent portion	-	1,823
Total	\$ 283	\$ 4,804

Approximate collections on loans receivable, net of the allowance for doubtful loans, are estimated as follows:

For the Year Ended September 30	
2016	\$ 283

Note 3: PROPERTY AND EQUIPMENT

The Organization's property and equipment at September 30, 2015 and 2014 is comprised of the following:

	2015	2014
Land	\$ 112,310	\$ 112,310
Buildings	3,280,482	3,280,482
Furniture and equipment	2,450,432	2,392,832
Less: accumulated depreciation	(4,952,255)	(4,596,679)
Total	\$ 890,969	\$ 1,188,945

Depreciation and amortization expense for the years ended September 30, 2015 and 2014 was \$386,335 and \$406,330, respectively. Loss on disposal of equipment for the years ended September 30, 2015 and 2014 was \$0 and \$478, respectively.

TRI-COUNTY COMMUNITY ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 4: ACCRUED EXPENSES

The Organization's accrued expenses at September 30, 2015 and 2014 is comprised of the following:

	2015	2014
Accrued absences	\$ 219,764	\$ 238,971
Accrued payroll	196,486	162,555
Other accrued expenses	19,696	17,936
Total	\$ 435,946	\$ 419,462

Note 5: NOTES PAYABLE, BANK

The Organization's notes payable, bank at September 30, 2015 and 2014 is comprised of the following:

	2015	2014
4.99% fixed interest notes payable to Bank of the West. Secured by Little Falls and Brainerd building and land, maturing May 1, 2032. Note requires monthly payments of \$9,775 including principal and interest and compliance with a certain compliance ratio.	\$ 1,307,281	\$ 1,357,966
Less current portion	(51,594)	(49,229)
Total long-term notes payable, bank	\$ 1,255,687	\$ 1,308,737

Approximate maturities of notes payable, bank are as follows:

For the Year Ended September 30	
2016	\$ 51,594
2017	54,450
2018	57,269
2019	60,235
2020	63,202
Thereafter	1,020,531
Total	\$ 1,307,281

Interest expense for the years ended September 30, 2015 and 2014 was \$66,402 and \$63,017, respectively.

Note 6: RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan. The plan covers substantially all full-time employees. Under the plan, the Organization contributes up to 5 percent of each eligible employee's salary. Contributions to the plan for the years ended September 30, 2015 and 2014 were \$84,677 and \$82,368, respectively.

TRI-COUNTY COMMUNITY ACTION, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015 AND 2014

Note 7: OPERATING LEASES

The Organization leases office space and equipment under twelve operating leases with expiration dates ranging from 2015 through 2020. Rent expense for facility leases was \$100,379 and \$95,641 for the years ended September 30, 2015 and 2014, respectively. Rent expense for office equipment was approximately \$48,800 and \$45,300 for the years ended September 30, 2015 and 2014, respectively.

Approximate future minimum payments under these agreements are as follows:

For the Year Ended <u>September 30</u>	
2016	\$ 149,169
2017	114,056
2018	112,706
2019	50,020
2020	<u>40,542</u>
Total	<u>\$ 466,493</u>

Note 8: LABOR SUBJECT TO COLLECTIVE BARGAINING AGREEMENTS

Non-management employees of the Organization are members of Local Union #3628 American Federation of State, County and Municipal Employees, AFL-CIO ("Union"). The Organization entered into a new labor agreement with the Union for the period January 1, 2015 to December 31, 2015. The Organization had a labor agreement with the Union for the period January 1, 2014 to December 31, 2014 as well.

OTHER REPORT



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
Tri-County Community Action, Inc.
Little Falls, Minnesota

We have audited, in accordance with the 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 Tri-County Community Action, Inc. (the Organization), a Minnesota not-for-profit corporation, which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2015.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

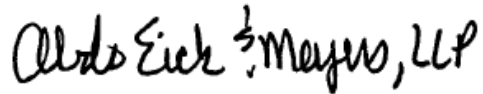
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 7, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133* AND THE *UNIFORM GUIDANCE*

Board of Directors
Tri-County Community Action, Inc.
Little Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Tri-County Community Action, Inc.'s (the Organization), a Minnesota not-for-profit corporation compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, OMB Circular A-133, 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 a 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 September 30, 2015.

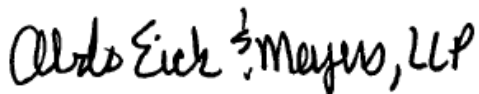
Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. 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 OMB Circular A-133 and 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.

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 OMB Circular A-133 and the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 7, 2015

TRI-COUNTY COMMUNITY ACTION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/Program Title Pass-through Grantor	Federal Domestic Assistance Number	Identifying Number	Direct Federal Expenditures	Pass- Through Federal Expenditures	Federal Expenditures
<i>U.S. Department of Health and Human Services</i>					
Head Start					
Department of Health and Human Services	93.600	05HP001701	\$ 91,036	\$ -	\$ 91,036
Department of Health and Human Services	93.600	05CH0585/49	2,987,510	-	2,987,510
Department of Health and Human Services	93.600	05CH99570100	1,077,677	-	1,077,677
Total Head Start			<u>4,156,223</u>	<u>-</u>	<u>4,156,223</u> *
Low-Income Home Energy Assistance					
Minnesota Department of Human Services	93.568	A2104	-	10,947	10,947
Minnesota Department of Human Services	93.568	A2105	-	198,122	198,122
Minnesota Department of Human Services	93.568	A2106	-	65,075	65,075
Total Low-Income Home Energy Assistance			<u>-</u>	<u>274,144</u>	<u>274,144</u>
Community Services Block Grant					
Minnesota Department of Human Services	93.569	GRK%65016	-	190,252	190,252
Total U.S. Department of Health and Human Services			<u>4,156,223</u>	<u>464,396</u>	<u>4,620,619</u>
<i>U.S. Department of Energy</i>					
Weatherization Assistance for Low-Income Persons					
Minnesota Department of Commerce	81.042	A2500	-	400,186	400,186
Total U.S. Department of Energy			<u>-</u>	<u>400,186</u>	<u>400,186</u>
<i>U.S. Department of Agriculture</i>					
Child and Adult Care Food Program					
Minnesota Department of Human Services	10.558	1000003687	-	135,145	135,145
Supplemental Nutrition Assistance Program, Outreach/Participation Program					
Minnesota Department of Human Services	10.580	H5532384	-	17,500	17,500
Total U.S. Department of Agriculture			<u>-</u>	<u>152,645</u>	<u>152,645</u>
Total Federal Expenditures			<u>\$ 4,156,223</u>	<u>\$ 1,017,227</u>	<u>\$ 5,173,450</u>

* indicates programs audited as major programs

Footnote A: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Footnote B: HEAD START CFDA 93.600

Federal match in-kind services and materials of \$1,156,189 are excluded from CFDA 93.600 for purposes of this schedule.

Footnote C: RECONCILIATION TO STATEMENT OF ACTIVITIES

Total revenues of Federal awards	\$ 5,173,450
Total revenues of State awards	823,651
Total government grants and contracts revenue	<u>\$ 5,997,101</u>

TRI-COUNTY COMMUNITY ACTION, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	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 section 510(a) of OMB Circular A-133?	No

Identification of Major Programs/Projects:

	CFDA
Weatherization Assistance for Low-Income Persons	81.042
Head Start	93.600

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 300,000
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Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	Yes
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SECTION II - FINANCIAL STATEMENT FINDINGS

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

SECTION III - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Circular A-133.

OTHER ISSUES

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.