

Tri-Valley Opportunity Council, Inc.

Crookston, Minnesota

Financial Statements and Supplementary Information
Year Ended December 31, 2013

Tri-Valley Opportunity Council, Inc.

Financial Statements and Supplementary Information
Year Ended December 31, 2013

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Independent Auditor's Report

Board of Directors
Tri-Valley Opportunity Council, Inc.
Crookston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-Valley Opportunity Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year 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; 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 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 Tri-Valley Opportunity Council, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

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, Schedule A, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of program activity, Schedule B, are presented for purposes of additional analysis and are 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 8, 2014, on our consideration of Tri-Valley Opportunity Council, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Tri-Valley Opportunity Council, Inc.'s internal control over financial reporting and compliance.


Wipfli LLP

April 8, 2014
Madison, Wisconsin

Tri-Valley Opportunity Council, Inc.

Statement of Financial Position

December 31, 2013

<i>Assets</i>	
Current assets:	
Cash	\$ 438,291
Grants receivable	776,023
Accounts receivable	190,781
Revolving loans receivable, current portion	51,282
Homes held for sale	209,374
Prepaid expenses	197,061
Total current assets	1,862,812
Other assets:	
Long-term revolving loans receivable	330,474
Accounts receivable - Related party, net	25,553
Investment in and advances to partnerships	143,122
Total other assets	499,149
Property and equipment, net	5,681,599
TOTAL ASSETS	\$ 8,043,560
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current maturities of notes payable	\$ 59,071
Current maturities of capital lease	25,984
Current maturities of forgivable notes payable	5,000
Accounts payable	208,601
Accrued payroll and related expenses	487,982
Grant funds received in advance	192,928
Total current liabilities	979,566
Long-term liabilities:	
Notes payable	689,443
Capital lease	30,556
Forgivable notes payable	175,000
Total long-term liabilities	894,999
Total liabilities	1,874,565
Net assets:	
Unrestricted net assets	1,081,259
Unrestricted net assets - Grant-funded fixed assets	4,652,118
Total unrestricted net assets	5,733,377
Temporarily restricted net assets	435,618
Total net assets	6,168,995
TOTAL LIABILITIES AND NET ASSETS	\$ 8,043,560

See accompanying notes to financial statements.

Tri-Valley Opportunity Council, Inc.

Statement of Activities Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 14,967,704	\$ 0	\$ 14,967,704
Program contributions	1,925,272	44,290	1,969,562
Interest income	5,201	0	5,201
In-kind contributions	1,541,656	0	1,541,656
Other income	449,230	0	449,230
Net assets released from restriction through satisfaction of program restrictions	48,838	(48,838)	0
Total revenue	18,937,901	(4,548)	18,933,353
Operating expenses:			
Salaries and wages	9,140,041	0	9,140,041
Fringe benefits	2,467,226	0	2,467,226
Consultants/contracted labor	1,173,771	0	1,173,771
Travel/transportation	989,379	0	989,379
Occupancy	720,073	0	720,073
Supplies	881,183	0	881,183
Equipment maintenance	500,828	0	500,828
Communications	215,676	0	215,676
Beneficiary assistance	260,391	0	260,391
Depreciation	822,903	0	822,903
Other	458,333	0	458,333
In-kind expenses	1,541,656	0	1,541,656
Total operating expenses	19,171,460	0	19,171,460
Change in net assets	(233,559)	(4,548)	(238,107)
Net assets - Beginning of year	5,966,936	440,166	6,407,102
Net assets - End of year	\$ 5,733,377	\$ 435,618	\$ 6,168,995

Tri-Valley Opportunity Council, Inc.

Statement of Cash Flows Year Ended December 31, 2013

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 238,107)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	822,903
Gain on foreclosure	(34,578)
Debt forgiveness	(5,000)
Net mortgage discount amortization	(28,861)
Bad debt expense	6,702
Loss on disposal of asset	7,963
Changes in operating assets and liabilities:	
Grants receivable	(131,095)
Accounts receivable	70,983
Accounts receivable, related party	(9,000)
Prepaid expenses	(58,405)
Accounts payable	(53,378)
Accrued payroll and related expenses	(75,978)
Grant funds received in advance	(85,679)
Net cash provided by operating activities	188,470
Cash flows from investing activities:	
Purchase of property and equipment	(411,566)
Repayments received on revolving loans	33,784
Net cash used in investing activities	(377,782)
Cash flows from financing activities:	
Payment on capital lease obligations	(24,018)
Payments on notes payable	(40,550)
Net cash used in financing activities	(64,568)
Change in cash	(253,880)
Cash - Beginning of year	692,171
Cash - End of year	\$ 438,291
Supplemental schedule of operating activities:	
Interest paid and expensed	\$ 28,359
Supplemental schedule of noncash investing and financing activities:	
Homes reposessed under land contract sale	\$ 74,753
Home sold under land contract	59,557
Refinance of note payable	46,356
Purchase of property with debt	264,000

See accompanying notes to financial statements.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Established in 1965, the mission of Tri-Valley Opportunity Council, Inc. (TVOC or the “Organization”) is to provide opportunities to improve the quality of life for people and communities. TVOC is a multi-faceted organization that strives to reduce poverty in the states of Minnesota and North Dakota, with its primary service area being the Minnesota counties of West Polk, West Marshall, and Norman. A major focus of the Organization is to provide a seamless system of support by integrating services, reducing redundancies, and maximizing opportunities for clients and communities.

The Organization is primarily supported through federal and state government grants, with approximately 68% of the Organization’s grant revenue being earned from the Department of Health and Human Services’ Head Start program.

TVOC is led by an effective management team which is supported by a dedicated board of directors. TVOC has created strong program delivery systems. The programs available to clients focus on the areas of Community Services, Head Start/Child and Family Programs, Housing, and Senior Services. Additional agency resources include training, technical assistance, outcomes development, grant writing, capacity-building, and long-range strategic planning. These combined programs and resources make TVOC an integral partner in each community.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TVOC and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of TVOC and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Classification of Net Assets (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by TVOC. Generally, the donors of these assets permit TVOC to use all or part of the income earned on any related investments for general or specific purposes. Currently, TVOC does not have any permanently restricted net assets.

Use of Estimates

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

Accounts Receivable

Accounts receivable consist primarily of amounts billed for the Transportation and Rural Transit programs. Receivables are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. TVOC considers these receivables to be collectible and; therefore, no allowance for uncollectible amounts has been recorded.

Homes Held for Sale

Homes held for sale are valued at the lower of cost or market. The balance consists of the costs associated with the purchase of land and construction costs incurred.

Revolving Loans Receivable

TVOC operates a revolving loan program funded by Minnesota Housing and Finance Authority (MHFA). The Organization receives funds from MHFA to construct or renovate homes and then sell those homes under land contracts to eligible individuals. Any funds repaid must be used to construct homes, provide renovation loans to existing individuals under the program, or cover a percentage of administrative costs. Loans receivable are stated at the amount of unpaid principal discounted at the prevailing market rate at the inception of the mortgage. The loans are non-interest-bearing. There is no allowance provided on these loans as the Organization holds the home as collateral and can cancel the land contract if the individual is delinquent. TVOC classifies a receivable as delinquent if the individual is two or more months in arrears, has abandoned the home, or if the home is at risk of incurring damage.

Management has the intent and ability to hold all loans for the foreseeable future or until maturity or pay-off generally and has reported the loans at their outstanding unpaid principal balances. Loan origination fees, net of certain direct origination costs are recognized as income or expense when received or incurred since capitalization of these fees or costs would not have a significant impact on the consolidated financial statements.

Delinquent payments are treated on a case-by-case basis but, generally, if a homeowner is late more than 30 days with a payment and no forbearance has been granted, verbal contact is made with the homeowner. A letter follows up the verbal contact confirming the conversation.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Revolving Loans Receivable (Continued)

If the terms outlined during the verbal contact are not met and/or the homeowner becomes 60 days late, cancellation proceedings are started. All cancellations are handled by Tri-Valley's attorney in accordance with the laws of the State of Minnesota.

Allowance for Loan Losses

Tri-Valley does not maintain an allowance for the loan loss account due to the fact that in the event of non-payment by a homeowner, Tri-Valley will start eviction proceedings and take back possession of the home. The home is then put back on the market to be contracted to another qualifying individual or family.

Investment in Partnerships

Investment in partnerships in which TVOC exercises significant influence over their reporting and financial activities of the partnership are accounted for using the equity method which records the investment at cost and it is adjusted for TVOC's proportionate share of their undistributed share of their earnings or losses.

Property and Equipment

Property and equipment are valued at cost. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

Property and equipment purchased with grant funds is owned by TVOC while used in the program for which it was purchased or in other future authorized programs. However, the various 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 therefrom, is subject to funding source regulations. The net book value of grant-funded equipment is \$4,652,118 at December 31, 2013.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to TVOC that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Revenue Recognition (Continued)

donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards that are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of those earned are reflected as deferred revenue.

Income Taxes

TVOC is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. It is also exempt from Minnesota franchise or income tax.

TVOC is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. TVOC has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the fiscal years ended December 31, 2010 and thereafter remain subject to examination by the Internal Revenue Service.

In-Kind Contributions

TVOC records in-kind contributions at fair market value for space, supplies, and professional services in the statement of activities in accordance with generally accepted accounting standards, which require that only contributions of services received which create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. TVOC received contributions of nonprofessional volunteers during the year with a value of approximately \$309,000 which are not recorded in the statement of activities. In-kind is primarily related to the Head Start program.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

Subsequent Events

Subsequent events have been evaluated through April 8, 2014, which is the date the financial statements were available to be issued.

Note 2 **Grants Receivable**

This balance at December 31, 2013, consists of amounts due from funding sources as follows:

Direct federal programs	\$ 202,933
State and other programs	573,090
<hr/>	
Total	<u>\$ 776,023</u>

Note 3 **Investment in and Advances to Partnerships**

TVOC has investments in two limited partnerships, Crookston Townhomes Limited Partnership and Fisher Townhomes Limited Partnership. TVOC is the .01% general partner in both partnerships. These partnerships are accounted for under the equity method. The investment in these partnerships is \$43,122 at December 31, 2013. In addition, TVOC has a 0% note receivable of \$100,000 with Crookston Townhomes Limited Partnership. The note receivable is due at maturity, which is January 2029. The total investment in the advances to partnerships at December 31, 2013 was \$143,122.

Note 4 **Property and Equipment**

The balance at December 31, 2013, consists of the following:

Land	\$ 251,470
Building and improvements	8,221,863
Furniture and equipment	4,318,841
<hr/>	
Subtotal	12,792,174
Accumulated depreciation	(7,110,575)
<hr/>	
Property and equipment, net	<u>\$ 5,681,599</u>

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 5 **Revolving Loans Receivable**

TVOC operates a housing revolving loan fund that provides assistance to eligible participants in the form of non-interest-bearing loans which are secured by various property owned by the recipients. Principal payments are based on the participants' ability to pay and repayment terms are adjusted annually. As loan funds are repaid, they are available to be re-loaned to eligible participants and to cover a fixed percentage of administrative and program costs.

The loans are due and payable on the occurrence of various events, including sale, transfer, or reassignment of the property, death of the homeowner, the homeowner no longer occupying the property, or the passage of time.

The loans were discounted to their net present value using a discount rate of 6%. The loans receivable are as follows:

Loans receivable	\$ 839,184
<u>Discount on loans receivable</u>	<u>(457,428)</u>
Loans receivable, net	381,756
<u>Current portion</u>	<u>(51,282)</u>
<u>Net long-term loans receivable</u>	<u>\$ 330,474</u>

The unamortized discount is the difference between the face amount of the land contract and its present value discounted at a compound interest rate. This discount is then amortized over the life of the land contract.

Note 6 **Accounts Receivable - Related Party**

TVOC earned development fees in prior years in relation to the two partnerships in which they are the general partner (see Note 3). As of December 31, 2013, development fees receivable are \$0. This amount has been reduced by an allowance for uncollectible amounts of \$95,007 based on management's assessment of the potential for repayments. In addition, TVOC has paid certain costs of the partnership, for which they will be reimbursed. The receivable in relation to these costs at December 31, 2013, was \$25,553 which management has determined to be fully collectible.

Note 7 **Notes Payable**

The notes payable at December 31, 2013, consist of the following:

Note payable to Bremer Bank, National Association, collateralized by real estate, payable in monthly installments of \$2,660, including interest at 4.5%, due December 2022.	\$ 235,192
Note payable to Bremer Bank, National Association, collateralized by land and building, payable in monthly installments of \$825 including interest at 4.5%, due June 2025.	87,286

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 7 Notes Payable (Continued)

Note payable to Bremer Bank, National Association, collateralized by land and building, payable in monthly installments of \$2,811 including interest at 5%, due September 2023. This loan contains a prepayment penalty for the first 5 years of the loan. The penalty is 5% of the outstanding balance in the first 12 months and the penalty is reduced by 1% each year thereafter until the end of year 5 at which time there is no prepayment penalty.	259,030
Note payable to Farmers Home Administration, Department of Agriculture, collateralized with property, with interest at 1%, with monthly payments of \$620, due 2032.	120,986
Note payable to Bremer Bank, National Association, collateralized by land and building, with interest at 5%, payable in monthly installments of \$523, due November 2023.	46,020
Subtotal	748,514
Current maturities of notes payable	(59,071)
<u>Notes payable - Long-term</u>	<u>\$ 689,443</u>

Future debt maturities as of December 31, 2013, are as follows:

2014	\$ 59,071
2015	61,727
2016	64,443
2017	67,428
2018	70,490
Thereafter	425,355
<u>Total</u>	<u>\$ 748,514</u>

Note 8 Forgivable Notes Payable

The forgivable notes payable at December 31, 2013, consist of the following:

A 30-year forgivable note payable from MHFA for the construction of a housing project in 1999, collateralized by the housing project. The loan requires compliance with provisions of the loan agreement for a 30-year period. The loan is forgiven at a rate of 5% annually beginning in the eleventh year of the note.	\$ 80,000
A 15-year forgivable note payable to First American Bank, N.A. under the Affordable Housing Program, forgiven at the end of 15 years with interest at 0%. Maturity is May 2015.	100,000
Subtotal	180,000
Current portion of forgivable notes payable	(5,000)
<u>Forgivable notes payable, long-term</u>	<u>\$ 175,000</u>

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 8 Forgivable Notes Payable (Continued)

Future forgiveness of notes payable are as follows:

2014	\$ 5,000
2015	105,000
2016	5,000
2017	5,000
2018	5,000
Thereafter	55,000
<hr/>	
Total	\$ 180,000

Note 9 Capital Lease

TVOC leases equipment under a capital lease expiring January 2016 with a cost of \$160,452. The asset and liability under the capital lease is recorded at the fair value of the assets. The equipment is amortized over the lease term. Amortization is \$5,352 year ended December 31, 2013, and is included in depreciation expense. Accumulated amortization as of December 31, 2013, is \$26,319 and is included in accumulated depreciation. The interest rate on the capital lease is 7.89%

Minimum future lease payments are as follows:

2014	\$ 29,520
2015	29,520
2016	2,460
<hr/>	
Subtotal	61,500
Less interest	(4,960)
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Obligation under capital lease	56,540
Current portion of capital lease	(25,984)
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Capital lease - Long term	\$ 30,556

Note 10 Operating Leases

TVOC leases various spaces under operating leases. All lease agreements include provisions for termination should government funding become unavailable. Lease expense for the year ended December 31, 2013, was \$408,795.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 10 **Operating Leases (Continued)**

Minimum future rental payments under the operating leases are as follows:

2014	\$ 282,075
2015	229,901
2016	187,705
2017	187,705
2018	187,705
Thereafter	138,007
<hr/>	
Total	\$ 1,213,098

Note 11 **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of revolving loan funds and program contributions at December 31, 2013, as follows:

Reach out for warmth	\$ 6,347
Revolving loan funds	429,271
<hr/>	
Temporarily restricted net assets	\$ 435,618

The revolving loan funds are to be used for housing loans to eligible participants and to cover administrative costs of operating the program. The reach out for warmth funds are to be used to cover energy payments for participants.

Note 12 **Retirement Plan**

TVOC has a 401(k) plan for eligible employees. TVOC contributes one dollar for every dollar each employee contributes, up to a maximum organization contribution of 5% of the annual gross wages of the employee. The employees are vested upon contribution to the plan. The employer's contribution to the plan for the year ended December 31, 2013, was \$190,987.

Note 13 **Concentration of Credit Risk**

TVOC maintains cash and cash equivalents at one bank. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At certain times during the year cash balances may be in excess of FDIC coverage. TVOC has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 14 **Functional Classification of Operating Expenses**

The following program and supporting services are reflected in the statement of activities for the year ended December 31, 2013:

Program activity:	
Child education	\$13,172,308
Family and community services	1,139,558
Energy assistance and weatherization	202,068
Senior services	643,580
Transportation	1,970,437
Housing and housing rehabilitation	194,512
Homeless/shelter programs	210,162
Food programs	556,965
Corporate activities	206,587
<hr/>	
Total program activities	18,296,177
Management and general expenses	830,892
Fund-raising	44,391
<hr/>	
Total operating expenses	\$19,171,460

Note 15 **Grant Awards**

At December 31, 2013, TVOC has received commitments for future funding under various grant awards of approximately \$5,042,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Note 16 **Line of Credit**

TVOC has a \$300,000 line of credit which had no outstanding balance at December 31, 2013, with a maturity date of August 2015. Bank advances on the credit line are payable on demand with an interest rate of prime plus 1% with a minimum interest rate of 4.0%. The interest rate is 4.25% at December 31, 2013. The credit line is secured by all business assets, excluding property with a reversionary interest, of TVOC.

Note 17 **Program Operations**

TVOC 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. Client benefits in the amount of \$1,184,305 paid by the state are not included in the statement of activities as they were not part of the grant award.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 18 **Contingency**

TVOC renovated a property with the use of \$500,000 of grant funds from the State of Minnesota Department of Children, Families, and Learning. The grant funds would be payable to the State of Minnesota Department of Children, Families, and Learning if the property were sold or converted to a use other than stipulated in the loan restriction. The total contingency is based on the proceeds received from the sale. The agreement stipulates that TVOC would have to repay the entire grant amount plus a portion of the remaining proceeds if it exceeds the original grant. However, if sales proceeds are less than \$500,000, the lesser amount is due. TVOC has no intentions of selling or converting the property; therefore, no liability has been recorded.

TVOC renovated a property with the use of \$440,000 of grant funds from the State of Minnesota Department of Transportation. The grant funds would be payable to the State of Minnesota Department of Transportation if the property were sold or converted to a use other than stipulated in the loan restriction. The total contingency is based on the proceeds received from the sale. The agreement stipulates that TVOC would have to repay the entire grant amount plus a portion of the remaining proceeds if it exceeds the original grant. However, if sales proceeds are less than \$440,000 the lesser amount is due. TVOC has no intentions of selling or converting the property; therefore, no liability has been recorded.

Supplementary Information

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-Through the MN Department of Education Child and Adult Care Food Program Total CFDA # 10.558	N/A	10.558	\$ 204,899
Passed-Through the MN Department of Education Summer Food Service Program for Children	N/A	10.559	236,458
Passed-Through the ND Department of Public Instruction Summer Food Service Program for Children Total CFDA # 10.559	N/A	10.559	<u>26,126</u> 262,584
Passed-Through the MN Department of Human Services Food Support Outreach	GRK%54556/GRK%71131	10.580	<u>127,820</u>
U.S. Department of Transportation			
Passed-Through MN Department of Transportation Formula Grants for Other Than Urbanized Areas	02112, 02806	20.509	<u>310,590</u>
JARC	02527	20.516	75,000
New Freedom Program Total Cluster CFDA # 20.516 and #20.521	02505	20.521	<u>104,000</u> 179,000
U.S. Department of Education			
Passed-Through ND Department of Public Instruction Migrant Education	PII016-12/13	84.011	23,000
Passed-Through the MN Department of Education Migrant Education Total CFDA # 84.011	2012-00318, 2012-00332 2014-00029, 2014-00030	84.011	<u>728,452</u> 751,452
U.S. Department of Health and Human Services			
Passed-Through NW RDC Valley Housekeeping	314-13-003B-112	93.044	<u>12,364</u>
Passed-Through MN Community Action P/S MNSure Consumer Assistance	N/A	93.525	<u>995</u>
Passed-Through MN Housing Finance Agency Temporary Assistance for Needy Families	N/A	93.558	<u>165,665</u>
Passed-Through MN Department of Commerce Low-Income Home Energy Assistance	52477, 67031	93.568	<u>1,384,056</u>
Passed-Through MN Department of Human Services Community Services Block Grant	32261	93.569	<u>122,405</u>
Passed-Through MN Department of Human Services Child Care and Development Block Grant	2013-00342, 2011-00293 2011-00293, 2012-00260	93.575	<u>262,530</u>
Direct Grant Migrant Head Start	90CM189534/90CM189535		

See Independent Auditor's Report.

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Head Start	05CH407047/05CH407048 90CM979801/05CH830201	93.600	<u>10,161,996</u>
Passed-Through MN Department of Human Services Child Care and Development Block Grant	2013-00396	93.667	<u>243,151</u>
Corporation for National and Community Services			
Direct Grant Foster Grandparent Program	10SFNMN001 13SFNMN002	94.011	<u>252,761</u>
U.S. Department of Health and Human Services			
Passed-Through United Way of America Emergency Food and Shelter Program	N/A	97.024	<u>276</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 14,442,544</u>

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tri-Valley Opportunity Council, Inc. under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Because the schedule presents only a selected portion of operations of Tri-Valley Opportunity Council, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Tri-Valley Opportunity Council, Inc.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - State of Minnesota eHeat Payments

Included in CFDA #93.568 are client benefits paid by the state of Minnesota of \$1,184,305. These expenditures are not included in the statement of activities.

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2013

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/12	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/13
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE												
U.S. Department of Agriculture												
10.558		Child & Adult Care Food Program	MN Dept. of Education	01/01/13-12/31/13	\$ 132,180	\$ 0	\$ 132,180	\$ 0	(\$ 132,180)	\$ 0	\$ 0	\$ 0
10.558		Child & Adult Care Food Program	MN Dept. of Education	01/01/13-12/31/13	72,719	0	72,719	0	(72,719)	0	0	0
		Subtotal 10.558				0	204,899	0	(204,899)	0	0	0
10.559		Summer Food Service Program	MN Dept. of Education	01/01/13-12/31/13	236,458	0	236,458	0	(236,458)	0	0	0
10.559		Summer Food Service Program	ND Dept. of Public Instruction	01/01/13-12/31/13	26,126	0	26,126	0	(26,126)	0	0	0
		Subtotal 10.559				0	262,584	0	(262,584)	0	0	0
10.580	GRK%54556	Food Support Outreach	MN Dept. of Human Services	10/01/12-09/30/13	135,003	103,691	0	0	(103,691)	0	0	0
10.580	GRK%71131	Food Support Outreach	MN Dept. of Human Services	10/01/13-09/30/14	154,165	0	154,165	0	(24,129)	0	0	130,036
		Subtotal 10.580				103,691	154,165	0	(127,820)	0	0	130,036
U.S. Department of Treasury												
21.000	PL110-289-95X1350	Foreclosure Mitigation Counseling	MHFA	07/01/11-12/31/14	9,950	3,528	0	0	0	0	0	3,528
		Subtotal 21.000				3,528	0	0	0	0	0	3,528
U.S. Department of Transportation												
20.509	02112	Transportation*	MN Dept. of Transportation	01/01/13-12/31/13	838,100	0	838,100	236,232	(1,070,567)	0	(3,765)	0
20.509	02806	Transportation	MN Dept. of Transportation	01/01/13-12/31/13	97,600	0	97,600	14,198	(70,988)	(40,810)	0	0
		Subtotal 20.509				0	935,700	250,430	(1,141,555)	(40,810)	(3,765)	0
20.516	02527	JARC	MN Dept. of Transportation	01/01/13-12/31/13	75,000	0	75,000	83,603	(158,603)	0	0	0
		Subtotal 20.516				0	75,000	83,603	(158,603)	0	0	0
20.521	02505	New Freedom	MN Dept. of Transportation	01/01/13-12/31/13	104,000	0	104,000	46,787	(150,787)	0	0	0
		Subtotal 20.521				0	104,000	46,787	(150,787)	0	0	0
U.S. Department of Education												
84.011	2012-00318	Migrant Education-State	MN Dept. of Education	07/01/12-06/30/13	400,000	248,656	0	0	(248,656)	0	0	0
84.011	2012-00332	Migrant Education-State	MN Dept. of Education	07/01/12-06/30/13	180,000	87,514	0	0	(87,514)	0	0	0
84.011	2014-00029	Migrant Education-State	MN Dept. of Education	07/01/13-06/30/14	740,000	0	740,000	0	(286,515)	0	0	453,485
84.011	2014-00030	Migrant Education-State	MN Dept. of Education	07/01/13-06/30/14	180,000	0	180,000	0	(105,767)	0	0	74,233
84.011	PII016-12/13	Migrant Education-State	ND Dept. of Public Instruction	05/01/13-12/31/13	23,000	0	23,000	0	(23,000)	0	0	0
		Subtotal 84.011				336,170	943,000	0	(751,452)	0	0	527,718

*Program has commingled federal and state funding.

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2013

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/12	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/13
U.S. Department of Health and Human Services												
93.044	314-13-003B-112	Valley Housekeeping	NW RDC	01/01/13-12/31/13	35,000	0	35,000	33,713 (	24,440) (	22,636) (	21,637)	0
		Subtotal 93.044				0	35,000	33,713 (	24,440) (	22,636) (	21,637)	0
93.525		MNSure Consumer Assistance	MN Community Action P/S	11/01/13-03/31/14	15,132	0	15,132	0 (	995)	0	0	14,137
		Subtotal 93.525				0	15,132	0 (	995)	0	0	14,137
93.558	N/A	FHPAP	MHFA	07/01/11-06/30/13	370,000	83,655	0	280 (	83,935)	0	0	0
93.558	N/A	FHPAP	MHFA	07/01/13-06/30/15	370,000	0	370,000	0 (	82,010)	0	0	287,990
		Subtotal 93.558				83,655	370,000	280 (	165,945)	0	0	287,990
93.568	52477	EAP	MN Dept. of Commerce	10/01/12-09/30/13	208,256	149,214	850	0 (	149,409) (	655)	0	0
93.568	67031	EAP	MN Dept. of Commerce	10/01/13-09/30/14	206,602	0	206,602	0 (	50,342)	0	0	156,260
93.568	N/A	EAP eHeat Payments	MN Dept. of Commerce	01/01/13-12/31/13	N/A	0	1,184,305	0 (	1,184,305)	0	0	0
		Subtotal 93.568				149,214	1,391,757	0 (	1,384,056) (	655)	0	156,260
93.569	32261	CSBG 12	MN Dept. of Human Svcs.	10/01/11-09/30/13	79,473	66,188	0	0 (	66,188)	0	0	0
93.569	32261	CSBG 13	MN Dept. of Human Svcs.	10/01/12-06/30/14	75,568	0	75,568	0 (	56,217)	0	0	19,351
		Subtotal 93.569				66,188	75,568	0 (	122,405)	0	0	19,351
93.575	2012-00260	Migrant Child Care	MN Dept. of Human Svcs.	07/01/12-06/30/13	460,411	87,856	0	0 (	87,856)	0	0	0
93.575	2011-00293	MN CCR&R Parent Aware/QRIS	MN Dept. of Human Svcs.	07/01/12-06/30/13	23,760	23,760	0	0 (	23,760)	0	0	0
93.575	2013-00343	MN CCR&R Parent Aware/QRIS	MN Dept. of Human Svcs.	07/01/13-06/30/14	5,236	0	5,236	0 (	5,066)	0	0	170
93.575	2013-00342	MN R&R	MN Dept. of Human Svcs.	07/01/13-06/30/15	115,564	0	115,564	636 (	51,265)	0	0	64,935
93.575	2011-00293	MN R&R	MN Dept. of Human Svcs.	07/01/11-06/30/13	198,756	95,219	0	350 (	63,315)	0 (	32,254)	0
		Subtotal 93.575				206,835	120,800	986 (	231,262)	0 (	32,254)	65,105
93.600	90CM1895/34	Migrant Head Start 12-13	U.S. Dept. of H.H.S.	04/01/12-03/31/13	7,957,663	892,187	0	39,307 (	1,038,068)	0	106,574	0
93.600	05CH4070/47	Head Start 12-13	U.S. Dept. of H.H.S.	05/01/12-04/30/13	2,454,614	1,019,030	0	50,235 (	1,196,880)	0	127,615	0
93.600	90CM1895/35	Migrant Head Start 13-13	U.S. Dept. of H.H.S.	04/01/13-06/30/13	1,564,487	0	1,564,487	491,865 (	2,416,382)	0	360,030	0
93.600	05CH4070/48	Head Start 11-12	U.S. Dept. of H.H.S.	05/01/13-06/30/13	388,195	0	388,195	234,402 (	656,197)	0	33,600	0
93.600	90CM9798/01	Migrant Head Start 13-14	U.S. Dept. of H.H.S.	07/01/13-03/31/14	5,044,177	0	5,044,177	953,010 (	6,023,426)	0	621,991	595,752
93.600	90CM9798/01	Migrant Early Head Start 13-14	U.S. Dept. of H.H.S.	07/01/13-03/31/14	1,123,439	0	1,123,439	0 (	642,486)	0	0	480,953
93.600	05CH8302/01	Head Start 13-14	U.S. Dept. of H.H.S.	07/01/13-04/30/14	1,150,774	0	1,150,774	268,066 (	948,086)	0	0	470,754
93.600	05CH8302/01	Early Head Start 13-14	U.S. Dept. of H.H.S.	07/01/13-04/30/14	808,798	0	808,798	0 (	618,226)	0	91,060	281,632
		Subtotal 93.600				1,911,217	10,079,870	2,036,885 (	13,539,751)	0	1,340,870	1,829,091
93.667	2013-00396	Migrant Child Care	MN Dept. of Human Svcs.	07/01/13-06/30/14	429,969	0	429,969	0 (	243,151)	0	0	186,818
		Subtotal 93.667				0	429,969	0 (	243,151)	0	0	186,818

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2013

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/12	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/13
Corporation for National and Community Services												
94.011	10SFNMN001	Foster Grandparent	Corporation for National and Community Services	07/01/12-06/30/13	267,511	141,900	0	26,118 (	168,018)	0	0	0
94.011	13SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/13-06/30/14	256,811	0	256,811	9,367 (	120,228)	0	0	145,950
Subtotal 94.011						141,900	256,811	35,485 (	288,246)	0	0	145,950
U.S. Department of Homeland Security												
97.024	EFSP		United Way of America	10/01/12-04/30/13	276	0	276	0 (	276)	0	0	0
Subtotal 97.024						0	276	0 (	276)	0	0	0
Total Federal Programs						3,002,398	15,454,531	2,488,169 (	18,798,227)	(64,101)	1,283,214	3,365,984
OTHER STATE AND LOCAL PROGRAMS												
N/A		FGP United Way	United Way	07/01/01-12/31/13	11,972	5,050	5,000	0	0	0	0	10,050
N/A		CC&R United Way	United Way	01/01/03-12/31/13	16,646	7,600	0	0 (	3,617)	0 (	249)	3,734
N/A	GRK%31410	Transitional Housing	MN Dept. of Human Services	07/01/11-06/30/13	12,500	8,346	0	0 (	8,346)	0	0	0
N/A	GRK%64259	Transitional Housing	MN Dept. of Human Services	07/01/13-06/30/15	12,500	0	12,500	0 (	5,210)	0	0	7,290
N/A	GRK%65018	MCAG	MN Dept. of Human Services	07/01/13-06/30/14	33,065	0	33,065	0 (	301)	0	0	32,764
N/A	33261	MCAG	MN Dept. of Human Services	07/01/12-06/30/13	50,424	44,386	0	0 (	44,386)	0	0	0
N/A		NW8 Bridges	MN Dept. of Human Services	01/01/13-12/31/13	13,426	0	13,426	0 (	6,830)	(6,909)	313	0
N/A	SCP-SFY 2013	Senior Companion - Clay Cty.	MN Dept. of Human Services	07/01/12-06/30/13	9,951	9,048	0	1,105 (	10,153)	0	0	0
N/A	SCP-SFY 2014	Senior Companion - Clay Cty.	MN Dept. of Human Services	07/01/13-06/30/14	10,031	0	10,031	0 (	4,503)	0	0	5,528
N/A	FGP-SFY 2013	MN Foster Grandparent	MN Board on Aging	07/01/12-06/30/13	107,795	70,715	0	4,655 (	75,370)	0	0	0
N/A	FGP-SFY 2014	MN Foster Grandparent	MN Board on Aging	07/01/13-06/30/14	108,611	0	108,611	0 (	40,605)	0	0	68,006
N/A	2012-00248	MN Migrant HS	MN Dept. of Education	07/01/12-06/30/13	912,240	379,967	0	0 (	379,967)	0	0	0
N/A	2013-00314	MN Migrant HS	MN Dept. of Education	07/01/13-06/30/14	912,240	0	912,240	0 (	441,241)	0	0	470,999
N/A	2012-00249	MN Head Start	MN Dept. of Education	07/01/12-06/30/13	312,163	161,215	0	0 (	161,215)	0	0	0
N/A	2013-00313	MN Head Start	MN Dept. of Education	07/01/13-06/30/14	312,163	0	312,163	0 (	91,060)	0	0	221,103
N/A	MRA15850	Bridges Rent Assistance	MHFA	07/01/11-06/30/13	51,000	19,025	0	0 (	14,826)	(2,327)	(1,872)	0
N/A	MRA16449	Bridges Rent Assistance	MHFA	07/01/13-06/30/15	50,000	0	50,000	0 (	15,723)	0	0	34,277
N/A	MRA16448	Bridges Rent Assistance	MHFA	07/01/13-06/30/15	26,000	0	26,000	0 (	2,814)	0	0	23,186
N/A		Supportive Services	Mahube Community Council	07/01/11-06/30/13	212,300	70,701	0	0 (	70,701)	0	0	0
N/A		Supportive Services	Mahube Community Council	07/01/13-06/30/15	212,300	0	212,300	0 (	37,194)	0	0	175,106
N/A		Bremer 211	Bremer Foundation	03/01/08-12/31/13	110,000	32,133	0	0 (	175)	0	0	31,958
N/A		NW BCBS Access	Mahube Community Council	07/01/13-06/30/14	18,000	0	18,000	0 (	4,141)	0	0	13,859
N/A		Polk Cty. Collaborative-CCR&R	Polk County Collaborative	06/01/11-12/31/14	23,842	11,814	0	132 (	11,946)	0	0	0
N/A		Polk Cty. Collaborative-CCR&R	Polk County Collaborative	06/01/12-12/31/14	23,842	23,842	0	0 (	7,510)	0	0	16,332
N/A	02822	Transportation	MN Dept. of Transportation	01/01/13-12/31/13	56,000	0	56,000	4,789 (	23,946)	(36,843)	0	0
N/A	02821	Transportation	MN Dept. of Transportation	01/01/13-12/31/13	77,600	0	77,600	17,986 (	89,930)	(5,656)	0	0
N/A	2013-00437	Early Learning Scholarships	MN Dept. of Education	09/25/13-06/30/15	424,175	0	424,175	0 (	5,123)	0	0	419,052
N/A	2013-00448	RTT-EC Software System	MN Dept. of Education	12/23/13-11/30/15	142,318	0	142,318	0	0	0	0	142,318
N/A	5374	Family Voice & Choice	NW MN Foundation	03/01/11-04/30/13	25,000	11,822	0	0 (	11,822)	0	0	0
Subtotal Other State and Local Programs						855,664	2,413,429	28,667 (	1,568,655)	(51,735)	(1,808)	1,675,562
TOTALS						\$ 3,858,062	\$ 17,867,960	\$ 2,516,836	(\$ 20,366,882)	(\$ 115,836)	\$ 1,281,406	\$ 5,041,546



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Tri-Valley Opportunity Council, Inc.
Crookston, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Tri-Valley Opportunity Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and cash flows for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated April 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri-Valley Opportunity Council, Inc.'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 Tri-Valley Opportunity Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-Valley Opportunity Council, Inc.'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 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 the attention of those charged with governance.

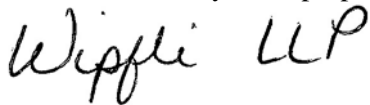
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 Tri-Valley Opportunity Council, Inc.'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.

A handwritten signature in black ink that reads "Wipfli LLP". The letters are cursive and fluid, with the "W" and "L" being particularly prominent.

Wipfli LLP

April 8, 2014
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Tri-Valley Opportunity Council, Inc.
Crookston, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Tri-Valley Opportunity Council, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tri-Valley Opportunity Council, Inc.'s major federal programs for the year ended December 31, 2013. Tri-Valley Opportunity Council, Inc.'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 of Tri-Valley Opportunity Council, Inc. 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 Tri-Valley Opportunity Council, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133 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 Tri-Valley Opportunity Council, Inc.'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 on Tri-Valley Opportunity Council, Inc.'s compliance.

Opinion

In our opinion, Tri-Valley Opportunity Council, Inc. 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, 2013.

Report on Internal Control Over Compliance

Management of Tri-Valley Opportunity Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tri-Valley Opportunity Council, Inc.'s internal control over compliance with 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, 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 Tri-Valley Opportunity Council, Inc.'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 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 the attention of 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 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. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

April 8, 2014
Madison, Wisconsin

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Tri-Valley Opportunity Council, Inc.
2. No significant deficiencies relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of Tri-Valley Opportunity Council, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal programs as reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Tri-Valley Opportunity Council, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs.
7. The programs tested as major programs were the U.S. Department of Health and Human Services Child Care and Development Block Grant, CFDA #93.575, and Head Start, CFDA #93.600.
8. The threshold for distinguishing Types A and B programs was \$433,276.
9. Tri-Valley Opportunity Council, Inc. was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit –None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

D. Findings and Questioned Costs - Prior Year

DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) HEAD START ENROLLMENT (123112-01) AWARD 90CM1895/34 FOR THE GRANT PERIOD APRIL 1, 2012 TO MARCH 31, 2013 (CFDA # 93.600)

Questioned Costs: None

Condition

It was noted that Tri-Valley Opportunity Council, Inc. did not meet its federal Head Start funded enrollment. Federal Regulation 45 CFR 1305.7(b) requires that . . . *A Head Start grantee must maintain its funded enrollment.*

The following table summarizes the actual and funded enrollment levels of Tri-Valley Opportunity Council, Inc. as of December 31, 2012:

Total funded enrollment	946
<u>Actual Federal Migrant Head Start enrollment</u>	<u>925</u>
<u>Under-enrolled</u>	<u>(21)</u>

Criteria

Procedures should be in place that provides reasonable assurance that Tri-Valley Opportunity Council, Inc. complies with Department of Health and Human Services (DHHS) regulations regarding funded enrollment.

Effect

Because of the failure to maintain funded enrollment, Tri-Valley Opportunity Council, Inc. is not in compliance with DHHS regulations.

Recommendation

We recommend that Tri-Valley Opportunity Council, Inc. continue to implement procedures to ensure that full enrollment is achieved and maintained. The Agency worked closely with their regional Head Start office to correct the under-enrollment issue and greatly improved outreach efforts by identifying under-served populations.

Management Response

This year we have put a stronger focus on identification and recruitment with primary approaches to achieve full enrollment including; trained staff and parents about eligibility, recruitment, selection, enrollment and attendance (ERSEA), increased our relationships within communities, implemented new recruitment strategies and recently worked with T&TA to review and revise our selection policy.

Current Year Status

Wipfli LLP noted that Tri-Valley Opportunity Council, Inc.'s Migrant Head Start program was fully enrolled for the current contract. This finding is considered resolved.