

Tri-Valley Opportunity Council, Inc.

Crookston, Minnesota

Financial Statements and Supplementary Information
Year Ended December 31, 2014

Tri-Valley Opportunity Council, Inc.

Financial Statements and Supplementary Information
Year Ended December 31, 2014

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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, 2014, 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, 2014, 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 15, 2015, 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 15, 2015
Madison, Wisconsin

Tri-Valley Opportunity Council, Inc.

Statement of Financial Position December 31, 2014

| <i>Assets</i> | |
|---|---------------------|
| Current assets: | |
| Cash | \$ 750,927 |
| Grants receivable | 1,090,669 |
| Accounts receivable | 173,409 |
| Revolving loans receivable, current portion | 40,030 |
| Homes held for sale | 212,000 |
| Prepaid expenses | 199,612 |
| Total current assets | 2,466,647 |
| Other assets: | |
| Long-term revolving loans receivable | 298,498 |
| Accounts receivable - Related party, net | 20,553 |
| Investment in and advances to partnerships | 143,122 |
| Total other assets | 462,173 |
| Property and equipment, net | 5,243,574 |
| TOTAL ASSETS | \$ 8,172,394 |
| <i>Liabilities and Net Assets</i> | |
| Current liabilities: | |
| Current maturities of notes payable | \$ 65,127 |
| Current maturities of capital lease | 28,111 |
| Current maturities of forgivable notes payable | 105,000 |
| Accounts payable | 290,076 |
| Accrued payroll and related expenses | 710,632 |
| Grant funds received in advance | 231,219 |
| Total current liabilities | 1,430,165 |
| Long-term liabilities: | |
| Notes payable | 637,916 |
| Capital lease | 2,444 |
| Forgivable notes payable | 70,000 |
| Total long-term liabilities | 710,360 |
| Total liabilities | 2,140,525 |
| Net assets: | |
| Unrestricted net assets | 1,047,348 |
| Unrestricted net assets - Grant-funded fixed assets | 4,228,223 |
| Total unrestricted net assets | 5,275,571 |
| Temporarily restricted net assets | 756,298 |
| Total net assets | 6,031,869 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 8,172,394 |

See accompanying notes to financial statements.

Tri-Valley Opportunity Council, Inc.

Statement of Activities

Year Ended December 31, 2014

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|---------------------------|---------------------|
| Revenue: | | | |
| Grant revenue | \$ 16,831,052 | \$ 0 | \$ 16,831,052 |
| Program contributions | 1,641,142 | 320,680 | 1,961,822 |
| Interest income | 5,216 | 0 | 5,216 |
| In-kind contributions | 1,945,533 | 0 | 1,945,533 |
| Other income | 306,313 | 0 | 306,313 |
| Net assets released from restriction through satisfaction of program restrictions | 0 | 0 | 0 |
| Total revenue | 20,729,256 | 320,680 | 21,049,936 |
| Operating expenses: | | | |
| Salaries and wages | 9,455,286 | 0 | 9,455,286 |
| Fringe benefits | 2,629,810 | 0 | 2,629,810 |
| Consultants/contracted labor | 1,402,417 | 0 | 1,402,417 |
| Travel/transportation | 1,004,138 | 0 | 1,004,138 |
| Occupancy | 732,260 | 0 | 732,260 |
| Supplies | 1,151,993 | 0 | 1,151,993 |
| Equipment maintenance | 756,941 | 0 | 756,941 |
| Communications | 173,253 | 0 | 173,253 |
| Beneficiary assistance | 684,787 | 0 | 684,787 |
| Depreciation | 782,657 | 0 | 782,657 |
| Other | 467,987 | 0 | 467,987 |
| In-kind expenses | 1,945,533 | 0 | 1,945,533 |
| Total operating expenses | 21,187,062 | 0 | 21,187,062 |
| Change in net assets | (457,806) | 320,680 | (137,126) |
| Net assets - Beginning of year | 5,733,377 | 435,618 | 6,168,995 |
| Net assets - End of year | \$ 5,275,571 | \$ 756,298 | \$ 6,031,869 |

See accompanying notes to financial statements.

Tri-Valley Opportunity Council, Inc.

Statement of Cash Flows Year Ended December 31, 2014

| | |
|--|--------------|
| Increase (decrease) in cash: | |
| Cash flows from operating activities: | |
| Change in net assets | (\$ 137,126) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 782,657 |
| Gain on foreclosure | (22,155) |
| Debt forgiveness | (5,000) |
| Net mortgage discount amortization | 6,353 |
| Loss on disposal of asset | 5,146 |
| Changes in operating assets and liabilities: | |
| Grants receivable | (314,646) |
| Accounts receivable | 17,372 |
| Accounts receivable, related party | 5,000 |
| Prepaid expenses | (2,551) |
| Inventory | 57,374 |
| Accounts payable | 81,475 |
| Accrued payroll and related expenses | 222,650 |
| Grant funds received in advance | 38,291 |
| Net cash provided by operating activities | 734,840 |
| Cash flows from investing activities: | |
| Purchase of property and equipment | (332,778) |
| Repayments received on revolving loans | 40,030 |
| Net cash used in investing activities | (333,748) |
| Cash flows from financing activities: | |
| Payment on capital lease obligations | (25,985) |
| Payments on notes payable | (62,471) |
| Net cash used in financing activities | (88,456) |
| Change in cash | 312,636 |
| Cash - Beginning of year | 438,291 |
| Cash - End of year | \$ 750,927 |
| Supplemental schedule of operating activities: | |
| Interest paid and expensed | \$ 33,798 |
| Supplemental schedule of noncash investing and financing activities: | |
| Homes reposessed under land contract sale | \$ 37,845 |
| Home sold under land contract | 41,000 |
| Purchase of property with debt | 17,000 |

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 57% 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.

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

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

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

Classification of Net Assets (Continued)

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 accordance 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 received funds from MHFA to construct or renovate homes and then sell those homes under land contracts to eligible individuals in previous years. There is no new funding under this program. 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 – Revolving Loans Receivable

Tri-Valley does not maintain an allowance for the loan loss account for the revolving loans receivable 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 \$4,228,223 at December 31, 2014.

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, 2011, 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 \$373,000 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 15, 2015, which is the date the financial statements were available to be issued.

Note 2 **Grants Receivable**

This balance at December 31, 2014, consists of amounts due from funding sources as follows:

| | |
|--------------------------|---------------------|
| Direct federal programs | \$ 189,681 |
| State and other programs | 900,988 |
| <hr/> | |
| Total | <u>\$ 1,090,669</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, 2014. 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, 2014 was \$143,122.

Note 4 **Property and Equipment**

The balance at December 31, 2014, consists of the following:

| | |
|-----------------------------|---------------------|
| Land | \$ 251,470 |
| Building and improvements | 8,212,913 |
| Furniture and equipment | 4,174,477 |
| <hr/> | |
| Subtotal | 12,638,860 |
| Accumulated depreciation | (7,395,286) |
| <hr/> | |
| Property and equipment, net | <u>\$ 5,243,574</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 | \$ 802,309 |
| Discount on loans receivable | (463,781) |
| <hr/> | |
| Loans receivable, net | 338,528 |
| Current portion | (40,030) |
| <hr/> | |
| <u>Net long-term loans receivable</u> | <u>\$ 298,498</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, 2014, development fees receivable are \$0. This amount reflects a receivable of \$95,007 which 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, 2014, was \$20,553 which management has determined to be fully collectible.

Note 7 **Notes Payable**

The notes payable at December 31, 2014, 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. | \$ 213,548 |
| 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. | 81,243 |

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. | 237,943 |
| Note payable to Farmers Home Administration, Department of Agriculture, collateralized with property, with interest at 1%, with monthly payments of \$620, due 2032. | 114,725 |
| 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. | 41,984 |
| Note Payable to Clearwater County DHS, Mahnomen MN, collateralized by equipment, payable in yearly installments of \$3,400 including interest at 0%, due January 1, 2018. | 13,600 |
| Subtotal | 703,043 |
| Current maturities of notes payable | (65,127) |
| <u>Notes payable - Long-term</u> | <u>\$ 637,916</u> |

Future debt maturities as of December 31, 2014, are as follows:

| | |
|-------------------|-------------------|
| 2015 | \$ 65,127 |
| 2016 | 67,843 |
| 2017 | 70,828 |
| 2018 | 73,890 |
| 2019 | 73,697 |
| <u>Thereafter</u> | <u>351,658</u> |
| <u>Total</u> | <u>\$ 703,043</u> |

Note 8 Forgivable Notes Payable

The forgivable notes payable at December 31, 2014, 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. | \$ 75,000 |
|--|-----------|

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 8 Forgivable Notes Payable (Continued)

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 | 175,000 |
| Current portion of forgivable notes payable | (105,000) |
| <u>Forgivable notes payable, long-term</u> | <u>\$ 70,000</u> |

Future forgiveness of notes payable are as follows:

| | |
|--------------|-------------------|
| 2015 | \$ 105,000 |
| 2016 | 5,000 |
| 2017 | 5,000 |
| 2018 | 5,000 |
| 2019 | 5,000 |
| Thereafter | 50,000 |
| <u>Total</u> | <u>\$ 175,000</u> |

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 for the year ended December 31, 2014, and is included in depreciation expense. Accumulated amortization as of December 31, 2014, is \$31,671 and is included in accumulated depreciation. The interest rate on the capital lease is 7.89%.

Minimum future lease payments are as follows:

| | |
|----------------------------------|-----------------|
| 2015 | \$ 29,520 |
| 2016 | 2,460 |
| Subtotal | 31,980 |
| Less interest | (1,425) |
| Obligation under capital lease | 30,555 |
| Current portion of capital lease | (28,111) |
| <u>Capital lease - Long term</u> | <u>\$ 2,444</u> |

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

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, 2014, was \$376,479.

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

| | | |
|--------------|----|---------------------|
| 2015 | \$ | 333,299 |
| 2016 | | 204,511 |
| 2017 | | 194,236 |
| 2018 | | 194,236 |
| 2019 | | 118,968 |
| Thereafter | | 23,203 |
| <u>Total</u> | | <u>\$ 1,068,453</u> |

Note 11 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of revolving loan funds and program contributions at December 31, 2014, as follows:

| | | |
|--|----|-------------------|
| Transportation | \$ | 309,048 |
| Reach out for warmth | | 10,508 |
| Revolving loan funds | | 436,742 |
| <u>Temporarily restricted net assets</u> | | <u>\$ 756,298</u> |

The revolving loan funds are to be used for housing loans to eligible participants and to cover administrative costs of operating the program. Reach out for warmth funds are to be used to cover energy payments for participants. Transportation is restricted to the be used to cover costs associated with the transportation program.

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, 2014, was \$186,761.

Note 13 Concentration of Credit Risk

TVOC maintains cash accounts at one bank. Accounts at this institution 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, 2014:

| | |
|--------------------------------------|--------------|
| Program activity: | |
| Child education | \$14,399,708 |
| Family and community services | 1,310,998 |
| Energy assistance and weatherization | 263,350 |
| Senior services | 455,940 |
| Transportation | 2,516,997 |
| Housing and housing rehabilitation | 222,187 |
| Homeless/shelter programs | 214,692 |
| Food programs | 550,841 |
| Corporate activities | 336,644 |
| Total program activities | 20,271,357 |
| Management and general expenses | 871,226 |
| Fund-raising | 44,479 |
| | <hr/> |
| Total operating expenses | \$21,187,062 |

Note 15 Grant Awards

At December 31, 2014, TVOC has received commitments for future funding under various grant awards of approximately \$5,740,000. 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, 2014, 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, 2014. 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 \$1,624,021 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, 2014

| 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 | N/A | 10.558 | |
| Total CFDA # 10.558 | | | \$ 177,923 |
| Passed-Through the MN Department of Education Summer Food Service Program for Children | N/A | 10.559 | 215,709 |
| Passed-Through the ND Department of Public Instruction Summer Food Service Program for Children | N/A | 10.559 | 26,184 |
| Total CFDA # 10.559 | | | 241,893 |
| Passed-Through the MN Department of Human Services Food Support Outreach | GRK%85329/GRK%71131 | 10.580 | 159,335 |
| U.S. Department of Transportation | | | |
| Passed-Through MN Department of Transportation Formula Grants for Other Than Urbanized Areas | 05064, 06061, 06062 | 20.509 | 464,400 |
| Mobility Management | 05733 | 20.513 | 109,689 |
| U.S. Department of Education | | | |
| Passed-Through ND Department of Public Instruction Migrant Education | PII016-14 | 84.011 | 20,001 |
| Passed-Through the MN Department of Education Migrant Education | 2014-00029, 2014-00030 2014-00292, 2014-00293 | 84.011 | 947,229 |
| Total CFDA # 84.011 | | | 967,230 |
| U.S. Department of Health and Human Services | | | |
| Passed-Through MN Community Action P/S MNSure Consumer Assistance | N/A | 93.525 | 14,137 |
| Passed-Through MN Housing Finance Agency Temporary Assistance for Needy Families | N/A | 93.558 | 176,403 |
| Passed-Through MN Department of Commerce Low-Income Home Energy Assistance | 67031, 1563 | 93.568 | 1,884,710 |
| Passed-Through MN Department of Human Services Community Services Block Grant | 32261, GRK%65018 | 93.569 | 29,923 |
| Passed-Through MN Department of Human Services Child Care and Development Block Grant | 2013-00342, 2013-00343 2014-00304, 2014-00305 | 93.575 | 116,912 |
| Direct Grant Migrant Head Start | 90CM979801/90CM979802 | | |
| Head Start | 05CH830201/05CH830202 | 93.600 | 9,536,986 |

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Grant Number</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|--------------------------|----------------------------|-----------------------------|
| U.S. Department of Health and Human Services (Continued) | | | |
| Passed-Through MN Department of Human Services | | | |
| Social Services Block Grant | 2013-00396/2014-00363 | 93.667 | <u>440,419</u> |
| Corporation for National and Community Services | | | |
| Direct Grant | | | |
| Foster Grandparent Program | 14SFNMN002 13SFNMN002 | 94.011 | <u>281,483</u> |
| TOTAL FEDERAL EXPENDITURES | | | <u><u>\$ 14,601,443</u></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, 2014. 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 \$1,624,021. 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, 2014

| CFDA Number | Grant Number | Program Name | Grantor Agency | Program Period | Program or Award Amount | Unapplied Grant Funds 12/31/13 | Current Grant Revenue | Other Revenue | Expenses | Repaid/Deobligated | Transfers | Unapplied Grant Funds 12/31/14 |
|--|-------------------|-----------------------------------|--------------------------------|-------------------|-------------------------|--------------------------------|-----------------------|----------------|--------------------|--------------------|------------------|--------------------------------|
| 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 | 01/01/14-12/31/14 | \$ 132,172 | \$ 0 | \$ 132,172 | \$ 0 | (\$ 132,172) | \$ 0 | \$ 0 | \$ 0 |
| 10.558 | | Child & Adult Care Food Program | MN Dept. of Education | 01/01/14-12/31/14 | 45,751 | 0 | 45,751 | 0 | (45,751) | 0 | 0 | 0 |
| | | Subtotal 10.558 | | | | 0 | 177,923 | 0 | (177,923) | 0 | 0 | 0 |
| 10.559 | | Summer Food Service Program | MN Dept. of Education | 01/01/14-12/31/14 | 215,709 | 0 | 215,709 | 0 | (215,709) | 0 | 0 | 0 |
| 10.559 | | Summer Food Service Program | ND Dept. of Public Instruction | 01/01/14-12/31/14 | 26,184 | 0 | 26,184 | 0 | (26,184) | 0 | 0 | 0 |
| | | Subtotal 10.559 | | | | 0 | 241,893 | 0 | (241,893) | 0 | 0 | 0 |
| 10.580 | GRK%71131 | Food Support Outreach | MN Dept. of Human Services | 10/01/13-09/30/14 | 154,165 | 130,036 | 0 | 0 | (130,036) | 0 | 0 | 0 |
| 10.580 | GRK%85329 | Food Support Outreach | MN Dept. of Human Services | 10/01/14-09/30/15 | 154,210 | 0 | 154,210 | 0 | (29,299) | 0 | 0 | 124,911 |
| | | Subtotal 10.580 | | | | 130,036 | 154,210 | 0 | (159,335) | 0 | 0 | 124,911 |
| 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 | 05064 | Transportation* | MN Dept. of Transportation | 01/01/14-12/31/14 | 1,539,350 | 0 | 1,539,350 | 580,545 | (1,809,974) | (872) | (309,049) | 0 |
| 20.509 | 06061 | Transportation TRF* | MN Dept. of Transportation | 07/01/14-12/31/15 | 108,100 | 0 | 108,100 | 0 | 0 | 0 | 0 | 108,100 |
| 20.509 | 06062 | Transportation Marketing* | MN Dept. of Transportation | 07/01/14-12/31/15 | 11,600 | 0 | 11,600 | 0 | 0 | 0 | 0 | 11,600 |
| | | Subtotal 20.509 | | | | 0 | 1,659,050 | 580,545 | (1,809,974) | (872) | (309,049) | 119,700 |
| 20.513 | 05733 | Mobility Management | MN Dept. of Transportation | 01/01/14-12/31/14 | 134,400 | 0 | 134,400 | 27,422 | (137,111) | (24,711) | 0 | 0 |
| | | Subtotal 20.513 | | | | 0 | 134,400 | 27,422 | (137,111) | (24,711) | 0 | 0 |
| U.S. Department of Education | | | | | | | | | | | | |
| 84.011 | 2014-00029 | Migrant Education-State | MN Dept. of Education | 07/01/13-06/30/14 | 740,000 | 453,485 | 0 | 0 | (453,485) | 0 | 0 | 0 |
| 84.011 | 2014-00030 | Migrant Education-State | MN Dept. of Education | 07/01/13-06/30/14 | 180,000 | 74,233 | 0 | 0 | (74,233) | 0 | 0 | 0 |
| 84.011 | 2014-00293 | Migrant Education-State | MN Dept. of Education | 07/01/14-06/30/15 | 810,000 | 0 | 810,000 | 0 | (308,859) | 0 | 0 | 501,141 |
| 84.011 | 2014-00292 | Migrant Education-State | MN Dept. of Education | 07/01/14-06/30/15 | 180,000 | 0 | 180,000 | 0 | (110,652) | 0 | 0 | 69,348 |
| 84.011 | PII016-14 | Migrant Education-State | ND Dept. of Public Instruction | 05/01/14-12/31/14 | 20,001 | 0 | 20,001 | 0 | (20,001) | 0 | 0 | 0 |
| | | Subtotal 84.011 | | | | 527,718 | 1,010,001 | 0 | (967,230) | 0 | 0 | 570,489 |

*Program has commingled federal and state funding.

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2014

| CFDA Number | Grant Number | Program Name | Grantor Agency | Program Period | Program or Award Amount | Unapplied Grant Funds 12/31/13 | Current Grant Revenue | Other Revenue | Expenses | Repaid/Deobligated | Transfers | Unapplied Grant Funds 12/31/14 |
|---|--------------|--------------------------------|-------------------------|-------------------|-------------------------|--------------------------------|-----------------------|------------------|----------------------|--------------------|------------------|--------------------------------|
| U.S. Department of Health and Human Services | | | | | | | | | | | | |
| 93.525 | N/A | MNSure Consumer Assistance | MN Community Action P/S | 11/01/13-03/31/14 | 15,132 | 14,137 | 0 | 0 | (14,137) | 0 | 0 | 0 |
| | | Subtotal 93.525 | | | | 14,137 | 0 | 0 | (14,137) | 0 | 0 | 0 |
| 93.558 | N/A | FHPAP | MHFA | 07/01/13-06/30/15 | 370,000 | 287,990 | 0 | 0 | (176,403) | 0 | 0 | 111,587 |
| | | Subtotal 93.558 | | | | 287,990 | 0 | 0 | (176,403) | 0 | 0 | 111,587 |
| 93.568 | 67031 | EAP | MN Dept. of Commerce | 10/01/13-09/30/14 | 206,602 | 156,260 | 59,689 | 0 | (191,411) | (24,538) | 0 | 0 |
| 93.568 | 1563 | EAP | MN Dept. of Commerce | 10/01/14-09/30/15 | 184,278 | 0 | 184,278 | 0 | (69,278) | 0 | 0 | 115,000 |
| 93.568 | N/A | EAP eHeat Payments | MN Dept. of Commerce | 01/01/14-12/31/14 | N/A | 0 | 1,624,021 | 0 | (1,624,021) | 0 | 0 | 0 |
| | | Subtotal 93.568 | | | | 156,260 | 1,867,988 | 0 | (1,884,710) | (24,538) | 0 | 115,000 |
| 93.569 | 32261 | CSBG 13 | MN Dept. of Human Svcs. | 10/01/12-06/30/14 | 75,568 | 19,351 | 0 | 0 | (19,351) | 0 | 0 | 0 |
| 93.569 | GRK%65018 | CSBG 14 | MN Dept. of Human Svcs. | 10/01/13-09/30/15 | 55,563 | 0 | 55,563 | 0 | (10,572) | 0 | 0 | 44,991 |
| | | Subtotal 93.569 | | | | 19,351 | 55,563 | 0 | (29,923) | 0 | 0 | 44,991 |
| 93.575 | 2013-00343 | MN CCR&R Parent Aware/QRIS | MN Dept. of Human Svcs. | 07/01/13-06/30/14 | 5,236 | 170 | 0 | 0 | (170) | 0 | 0 | 0 |
| 93.575 | 2014-00305 | MN CCR&R Parent Aware/QRIS | MN Dept. of Human Svcs. | 07/01/14-06/30/15 | 5,236 | 0 | 5,236 | 0 | (2,841) | 0 | 0 | 2,395 |
| 93.575 | 2013-00342 | MN R&R | MN Dept. of Human Svcs. | 07/01/13-06/30/14 | 115,564 | 64,935 | 0 | 2,089 | (67,024) | 0 | 0 | 0 |
| 93.575 | 2014-00304 | MN R&R | MN Dept. of Human Svcs. | 07/01/14-06/30/15 | 115,564 | 0 | 115,564 | 0 | (48,966) | 0 | 0 | 66,598 |
| | | Subtotal 93.575 | | | | 65,105 | 120,800 | 2,089 | (119,001) | 0 | 0 | 68,993 |
| 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 | 595,752 | 0 | 16,546 | (785,986) | 0 | 173,688 | 0 |
| 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 | 480,953 | 0 | 0 | (480,953) | 0 | 0 | 0 |
| 93.600 | 05CH8302/01 | Head Start 13-14 | U.S. Dept. of H.H.S. | 07/01/13-04/30/14 | 1,150,774 | 470,754 | 0 | 86,807 | (557,561) | 0 | 0 | 0 |
| 93.600 | 05CH8302/01 | Early Head Start 13-14 | U.S. Dept. of H.H.S. | 07/01/13-04/30/14 | 808,798 | 281,632 | 0 | 0 | (418,296) | 0 | 136,664 | 0 |
| 93.600 | 90CM9798/02 | Migrant Head Start 14-15 | U.S. Dept. of H.H.S. | 04/01/14-03/31/15 | 6,574,228 | 0 | 6,574,228 | 2,092,251 | (8,275,238) | 0 | 468,723 | 859,964 |
| 93.600 | 90CM9798/02 | Migrant Early Head Start 14-15 | U.S. Dept. of H.H.S. | 04/01/14-03/31/15 | 1,484,529 | 0 | 1,484,529 | 0 | (1,809,934) | 0 | 1,183,928 | 858,523 |
| 93.600 | 05CH8302/02 | Head Start 14-15 | U.S. Dept. of H.H.S. | 05/01/14-04/30/15 | 1,507,359 | 0 | 1,507,359 | 420,635 | (1,082,987) | 0 | 0 | 845,007 |
| 93.600 | 05CH8302/02 | Early Head Start 14-15 | U.S. Dept. of H.H.S. | 05/01/14-04/30/15 | 978,563 | 0 | 978,563 | 0 | (945,068) | 0 | 239,795 | 273,290 |
| | | Subtotal 93.600 | | | | 1,829,091 | 10,544,679 | 2,616,239 | (14,356,023) | 0 | 2,202,798 | 2,836,784 |
| 93.667 | 2013-00396 | Migrant Child Care | MN Dept. of Human Svcs. | 07/01/13-06/30/14 | 429,969 | 186,818 | 0 | 0 | (186,818) | 0 | 0 | 0 |
| 93.667 | 2014-00363 | Migrant Child Care | MN Dept. of Human Svcs. | 07/01/14-06/30/15 | 438,823 | 0 | 438,823 | 0 | (253,601) | 0 | 0 | 185,222 |
| | | Subtotal 93.667 | | | | 186,818 | 438,823 | 0 | (440,419) | 0 | 0 | 185,222 |

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2014

| CFDA Number | Grant Number | Program Name | Grantor Agency | Program Period | Program or Award Amount | Unapplied Grant Funds 12/31/13 | Current Grant Revenue | Other Revenue | Expenses | Repaid/Deobligated | Transfers | Unapplied Grant Funds 12/31/14 |
|--|--------------|-------------------------------|---|-------------------|-------------------------|--------------------------------|-----------------------|---------------------|------------------------|--------------------|---------------------|--------------------------------|
| Corporation for National and Community Services | | | | | | | | | | | | |
| 94.011 | 13SFNMN002 | Foster Grandparent | Corporation for National and Community Services | 07/01/13-06/30/14 | 256,811 | 145,950 | 0 | 32,528 (| 178,478) | 0 | 0 | 0 |
| 94.011 | 14SFNMN002 | Foster Grandparent | Corporation for National and Community Services | 07/01/14-06/30/15 | 256,811 | 0 | 256,811 | 3,263 (| 138,796) | 0 | 0 | 121,278 |
| Subtotal 94.011 | | | | | | 145,950 | 256,811 | 35,791 (| 317,274) | 0 | 0 | 121,278 |
| Total Federal Programs | | | | | | 3,365,984 | 16,662,141 | 3,262,086 (| 20,831,356) | 50,121) | 1,893,749 | 4,302,483 |
| OTHER STATE AND LOCAL PROGRAMS | | | | | | | | | | | | |
| N/A | | FGP United Way | United Way | 07/01/01-12/31/14 | 16,972 | 10,050 | 3,500 | 0 (| 11,000) | 0 | 0 | 2,550 |
| N/A | | CC&R United Way | United Way | 01/01/03-12/31/14 | 16,646 | 3,734 | 0 | 245 (| 3,979) | 0 | 0 | 0 |
| N/A | GRK%64259 | Transitional Housing | MN Dept. of Human Services | 07/01/13-06/30/15 | 12,500 | 7,290 | 12,500 | 0 (| 9,692) | 0 | 0 | 10,098 |
| N/A | GRK%65018 | MCAG | MN Dept. of Human Services | 07/01/13-06/30/15 | 33,065 | 32,764 | 0 | 0 (| 22,515) | 0 | 0 | 10,249 |
| N/A | 140122 | NW6 Bridges | MN Dept. of Human Services | 01/01/14-12/31/15 | 13,426 | 0 | 13,426 | 0 (| 3,121) | 10,649) | 344 | 0 |
| N/A | SCP-SFY 2015 | Senior Companion - Clay Cty. | MN Dept. of Human Services | 07/01/14-06/30/15 | 10,596 | 0 | 10,596 | 1,020 (| 5,472) | 0 | 0 | 6,144 |
| N/A | SCP-SFY 2014 | Senior Companion - Clay Cty. | MN Dept. of Human Services | 07/01/13-06/30/14 | 10,031 | 5,528 | 0 | 1,114 (| 6,642) | 0 | 0 | 0 |
| N/A | FGP-SFY 2014 | MN Foster Grandparent | MN Board on Aging | 07/01/13-06/30/14 | 108,611 | 68,006 | 50 | 12,073 (| 80,129) | 0 | 0 | 0 |
| N/A | FGP-SFY 2015 | MN Foster Grandparent | MN Board on Aging | 07/01/14-06/30/15 | 114,781 | 0 | 114,781 | 6,600 (| 67,295) | 0 | 0 | 54,086 |
| N/A | 2013-00314 | MN Migrant HS | MN Dept. of Education | 07/01/13-06/30/14 | 912,240 | 470,999 | 0 | 0 (| 470,999) | 0 | 0 | 0 |
| N/A | 2014-00253 | MN Migrant HS | MN Dept. of Education | 07/01/14-06/30/15 | 1,558,587 | 0 | 1,558,587 | 0 (| 1,069,499) | 0 | 0 | 489,088 |
| N/A | 2013-00313 | MN Head Start | MN Dept. of Education | 07/01/13-06/30/14 | 312,163 | 221,103 | 0 | 0 (| 221,103) | 0 | 0 | 0 |
| N/A | 2014-00254 | MN Head Start | MN Dept. of Education | 07/01/14-06/30/15 | 274,966 | 0 | 274,966 | 0 (| 155,355) | 0 | 0 | 119,611 |
| N/A | MRA16448 | Bridges Rent Assistance | MHFA | 07/01/13-06/30/15 | 26,000 | 23,186 | 0 | 0 (| 8,657) | 0 | 0 | 14,529 |
| N/A | MRA16449 | Bridges Rent Assistance | MHFA | 07/01/13-06/30/15 | 50,000 | 34,277 | 0 | 0 (| 22,214) | 0 | 0 | 12,063 |
| N/A | | Supportive Services | Mahube Community Council | 07/01/13-06/30/15 | 212,300 | 175,106 | 0 | 0 (| 94,593) | 0 | 0 | 80,513 |
| N/A | | Bremer 211 | Bremer Foundation | 03/01/08-12/31/14 | 110,000 | 31,958 | 0 | 0 | 0 | 0 | 0 | 31,958 |
| N/A | | NW BCBS Access | Mahube Community Council | 07/01/13-06/30/14 | 18,000 | 13,859 | 0 | 0 (| 13,859) | 0 | 0 | 0 |
| N/A | | NW BCBS Access | Mahube Community Council | 04/01/14-03/31/15 | 21,600 | 0 | 21,600 | 0 (| 11,478) | 0 | 0 | 10,122 |
| N/A | | Polk Cty. Collaborative-CCR&R | Polk County Collaborative | 06/01/12-12/31/14 | 23,842 | 16,332 | 0 | 0 (| 13,767) | 0 | 0 | 2,565 |
| N/A | 05107 | Transportation | MN Dept. of Transportation | 01/01/14-12/31/14 | 168,000 | 0 | 168,000 | 43,084 (| 211,084) | 0 | 0 | 0 |
| N/A | 06885 | Transportation | MN Dept. of Transportation | 03/01/14-12/31/14 | 35,700 | 0 | 35,700 | 2,833 (| 18,884) | 19,649) | 0 | 0 |
| N/A | 06233 | Transportation | MN Dept. of Transportation | 07/01/14-12/31/15 | 34,900 | 0 | 34,900 | 0 (| 34,900) | 0 | 0 | 0 |
| N/A | 2013-00437 | Early Learning Scholarships | MN Dept. of Education | 09/25/13-06/30/15 | 959,762 | 419,052 | 535,587 | 0 (| 443,338) | 0 | 0 | 511,301 |
| N/A | 2013-00448 | RTT-EC Software System | MN Dept. of Education | 12/23/13-11/30/15 | 142,318 | 142,318 | 0 | 0 (| 77,322) | 0 | 0 | 64,996 |
| Subtotal Other State and Local Programs | | | | | | 1,675,562 | 2,784,193 | 66,969 (| 3,076,897) | 30,298) | 344 | 1,419,873 |
| TOTALS | | | | | | \$ 5,041,546 | \$ 19,446,334 | \$ 3,329,055 | (\$ 23,908,253) | (\$ 80,419) | \$ 1,894,093 | \$ 5,722,356 |



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, 2014, and the related statement of activities and cash flows for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated April 15, 2015.

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.


Wipfli LLP

April 15, 2015
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, 2014. 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.

Basis for Qualified Opinion on Compliance for Head Start

As described in item 2014-001 in the accompanying schedule of findings and questioned costs, Tri-Valley Opportunity Council, Inc. did not comply with the requirement regarding enrollment level that is applicable to its Migrant Head Start program. Compliance with such requirement is necessary, in our opinion, for Tri-Valley Opportunity Council, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Compliance for Head Start

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 its Head Start program for the year ended December 31, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the accompanying schedule of findings and question costs for the year ended December 31, 2014.

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 15, 2015
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 CFDA #20.509 and CFDA #93.667 and a qualified opinion on CFDA #93.600 as a result of the finding.
6. There was one audit findings relative to the major federal award programs.
7. The programs tested as major programs were the U.S. Department of Transportation Grant, CFDA #20.509 and the U.S. Department of Health and Human Services Head Start Grant, CFDA #93.600, and Social Services Block Grant, CFDA #93.667.
8. The threshold for distinguishing Types A and B programs was \$438,043.
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

DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) HEAD START ENROLLMENT (2014-001) AWARD 90CM9798/01 FOR THE GRANT PERIOD JULY 1, 2013 TO MARCH 31, 2014 (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.*

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) HEAD START ENROLLMENT (2014-001) AWARD 90CM9798/01 FOR THE GRANT PERIOD JULY 1, 2013 TO MARCH 31, 2014 (CFDA # 93.600) (Continued)

The following table summarizes the actual and funded enrollment levels of Tri-Valley Opportunity Council, Inc. for the grant period:

| | |
|---|---------------|
| Total funded enrollment | 880 |
| <u>Actual Federal Migrant Head Start enrollment</u> | <u>752</u> |
| <u>Under-enrolled</u> | <u>(128)</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 should work closely with their regional Head Start office when enrollment levels may not be achieved.

Management Response

Tri-Valley Opportunity Council Inc.'s Migrant & Seasonal Head Start Federal funded enrollment is 738, Early Head Start Federal funded enrollment is 92 with a total Federal enrollment of 830. During the 2014 program year, Tri-Valley Opportunity's Migrant & Seasonal Head Start did not meet federal funded enrollment. Total federal cumulative enrollment was 752.

Reasons for declining numbers include:

- Weather related disasters in Minnesota Counties which delayed or limited work available for families.
- The increasing access to factory positions within the area reducing the number of families who qualify as low-income.
- We are seeing more families that are over income and do not meet the HS income eligible guidelines.
- In areas where sugar beets are the main crop we have seen decrease in work available for families due to continued increase use of Round-Up Ready seeds.

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

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

Management Response (Continued)

- We have experienced lower number of migrant families coming to MN due to oil work in North Dakota and Texas.
- We identified small pockets of families in areas where we do not have a facility and transportation routes exceeded the maximum limit of 1 hour travel one way.

TVOC has worked with staff from Region XII Training & Technical Assistance to create an Under Enrollment Action Plan. The Action Plan has been submitted and approved by the Regional Office along with an Enrollment Memo to the Program Specialist. In addition, the Administration for Child and Families conducted a Fiscal/ERSEA review and determined that TVOC had no areas of noncompliance and no corrective action was required. A concern was noted that the grantee is under-enrolled.

D. Findings and Questioned Costs - Prior Year

None