

Tri-Valley Opportunity Council, Inc.

Crookston, Minnesota

Consolidated Financial Statements and Supplementary
Information

Year Ended December 31, 2015

Tri-Valley Opportunity Council, Inc.

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2015

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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 consolidated financial statements of Tri-Valley Opportunity Council, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement. The financial statements of Fisher Townhomes, LLC, Fisher Townhomes, LP, Crookston Townhomes, LLC and Crookston Townhomes, LP, subsidiaries of Tri-Valley Opportunity Council, Inc., were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tri-Valley Opportunity Council, Inc. and Subsidiaries as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

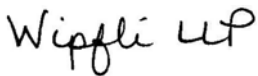
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, Schedule A, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of program activity, Schedule B, the consolidating statement of financial position, and the consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 12, 2016, 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 12, 2016
Madison, Wisconsin

Tri-Valley Opportunity Council, Inc.

Consolidated Statement of Financial Position

December 31, 2015

<i>Assets</i>	
Current assets:	
Cash	\$ 1,008,954
Grants receivable	1,743,492
Accounts receivable	256,145
Revolving loans receivable, current portion	91,481
Homes held for sale	52,000
Prepaid expenses	223,299
Total current assets	3,375,371
Other assets:	
Long-term revolving loans receivable	246,881
Property and equipment, net	7,131,051
TOTAL ASSETS	\$ 10,753,303
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current maturities of notes payable	\$ 86,150
Current maturities of forgivable notes payable	5,000
Accounts payable	417,948
Accrued payroll and related expenses	751,564
Grant funds received in advance	257,288
Total current liabilities	1,517,950
Long-term liabilities:	
Notes payable	2,078,108
Accrued interest payable	148,235
Forgivable notes payable	65,000
Total long-term liabilities	2,291,343
Total liabilities	3,809,293
Net assets:	
Unrestricted net assets	1,919,330
Unrestricted net assets - Grant-funded fixed assets	4,290,271
Total unrestricted net assets	6,209,601
Temporarily restricted net assets	734,409
Total net assets	6,944,010
TOTAL LIABILITIES AND NET ASSETS	\$ 10,753,303

See accompanying notes to consolidated financial statements.

Tri-Valley Opportunity Council, Inc.

Consolidated Statement of Activities Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue	\$ 19,692,795	\$ 0	\$ 19,692,795
Program contributions	2,155,812	0	2,155,812
Tenant rents	355,280	0	355,280
Interest income	5,605	0	5,605
In-kind contributions	872,109	0	872,109
Other income	54,264	0	54,264
Net assets released from restriction through satisfaction of program restrictions	21,889	(21,889)	0
Total revenue	23,157,754	(21,889)	23,135,865
Operating expenses:			
Salaries and wages	10,362,182	0	10,362,182
Fringe benefits	2,914,079	0	2,914,079
Consultants/contracted labor	1,626,415	0	1,626,415
Travel/transportation	1,063,781	0	1,063,781
Occupancy	826,464	0	826,464
Supplies	1,519,710	0	1,519,710
Repairs and maintenance	846,350	0	846,350
Communications	223,842	0	223,842
Beneficiary assistance	920,307	0	920,307
Depreciation	777,500	0	777,500
Other	586,107	0	586,107
In-kind expenses	872,109	0	872,109
Total operating expenses	22,538,846	0	22,538,846
Change in net assets	618,908	(21,889)	597,019
Net assets acquired in business acquisition	315,122	0	315,122
Net assets - Beginning of year	5,275,571	756,298	6,031,869
Net assets - End of year	\$ 6,209,601	\$ 734,409	\$ 6,944,010

Tri-Valley Opportunity Council, Inc.

Consolidated Statement of Cash Flows Year Ended December 31, 2015

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 597,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	777,500
Debt forgiveness	(105,000)
Net mortgage discount amortization	3,170
Changes in operating assets and liabilities:	
Grants receivable	(652,823)
Accounts receivable	(56,416)
Accounts receivable, related party	20,553
Prepaid expenses	(17,115)
Inventory	160,000
Accounts payable	58,434
Accrued payroll and related expenses	40,932
Grant funds received in advance	26,069
Net cash provided by operating activities	852,323
Cash flows from investing activities:	
Purchase of property and equipment	(734,377)
Issuance of revolving loans	(60,000)
Cash received in acquisition of partnerships	111,876
Cash paid in acquisition of partnerships	(148,000)
Repayments received on revolving loans	56,996
Net cash used in investing activities	(773,505)
Cash flows from financing activities:	
Payment on capital lease obligations	(30,555)
Payments on notes payable	(63,767)
Net cash used in financing activities	179,209
Change in cash	258,027
Cash - Beginning of year	750,927
Cash - End of year	\$ 1,008,954
Supplemental schedule of operating activities:	
Interest paid and expensed	\$ 29,814
Supplemental schedule of noncash investing and financing activities:	
Home sold under land contract	\$ 60,000
Repossessed home	52,000
Refinanced debt	243,317
See Note 16 on acquisition of partnerships for assets acquired and liabilities assumed.	

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated 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 60% 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.

Fisher Townhomes, LLC is a wholly owned subsidiary of TVOC that was organized to purchase the limited partner interest in the Fisher Townhomes, LP. The purchase occurred in April 2015.

Fisher Townhomes Limited Partnership is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, and ultimately disposing of (the “Project”) and related personal property. The Project consists of ten apartment units in Fisher, Minnesota that is operated for low-income housing. The Project is eligible for Low-Income Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code. The Partnership shall cease on December 31, 2050, unless dissolved sooner.

Crookston Townhomes, LLC is a wholly owned subsidiary of TVOC that was organized to purchase the limited partner interest in the Crookston Townhomes, LP. The purchase occurred in April 2015.

Crookston Townhomes Limited Partnership is a limited partnership organized under the laws of the State of Minnesota for the purpose of acquiring, operating, and ultimately disposing of (the “Project”) and related personal property. The Project consists of 30 apartment units in Crookston, Minnesota, that is operated for low-income housing. The Project is eligible for Low-Income Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code. The Partnership shall cease on December 31, 2050, unless dissolved sooner.

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TVOC, and Fisher Townhomes, LLC, Fisher Townhomes, LP, Crookston Townhomes, LLC, and Crookston Townhomes, LP. These entities will be collectively referred to as the “Organizations.” All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The consolidated 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 the Organizations 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 the Organizations 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 the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organizations do not have any permanently restricted net assets.

Use of Estimates

The preparation of the consolidated 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. The Organizations consider these receivables to be collectible and; therefore, no allowance for uncollectible amounts has been recorded.

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

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

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.

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

TVOC does not maintain an allowance for the loan loss account due to the fact that in the event of non-payment by a homeowner, TVOC 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.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

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

Property and Equipment

Property and equipment are valued at cost. The Organizations consider 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 \$4,290,271 at December 31, 2015.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organizations 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 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 consolidated 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.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

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

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.

Fisher Townhomes, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes. The member owner of Fisher Townhomes, LLC is TVOC. The activity of Fisher Townhomes, LLC is included in TVOC's tax return. As a result of Fisher Townhomes, LLC being treated as a disregarded entity, the activity of Fisher Townhomes LP is also included in the tax return of TVOC.

Crookston Townhomes, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes. The member owner of Crookston Townhomes, LLC is TVOC. The activity of Crookston Townhomes, LLC is included in TVOC's tax return. As a result of Crookston Townhomes, LLC being treated as a disregarded entity, the activity of Crookston Townhomes LP is also included in the tax return of TVOC.

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.

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 \$274,687 which are not recorded in the statement of activities. In-kind is primarily related to the Head Start program.

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 12, 2016, which is the date the financial statements were available to be issued.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 2 Grants Receivable

This balance at December 31, 2015, consists of amounts due from funding sources as follows:

Federal programs	\$ 293,874
State and other programs	1,449,618
<u>Total</u>	<u>\$ 1,743,492</u>

Note 3 Property and Equipment

The balance at December 31, 2015, consists of the following:

Land	\$ 290,116
Building and improvements	10,154,421
Furniture and equipment	4,584,199
Subtotal	15,028,736
Accumulated depreciation	(7,897,685)
<u>Property and equipment, net</u>	<u>\$ 7,131,051</u>

Note 4 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	\$ 805,313
Discount on loans receivable	(466,951)
Loans receivable, net	338,362
Current portion	(91,481)
<u>Net long-term loans receivable</u>	<u>\$ 246,881</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.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 5 Notes Payable

The notes payable at December 31, 2015, 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.	\$ 190,896
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.	74,919
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.	215,762
Note payable to Farmers Home Administration, Department of Agriculture, collateralized with property, with interest at 1%, with monthly payments of \$620, due 2032.	108,929
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.	37,738
Note payable to Greater MN Housing Fund, with interest at 5%. Interest is payable monthly with the principal due June 2018.	30,000
Note payable to Clearwater County DHS, Mahnomon MN, collateralized by equipment, payable in yearly installments of \$3,400 including interest at 0%, due January 1, 2018.	10,200
Mortgage payable to Minnesota Housing Finance Agency (MHFA) with interest at 1% compounded annually. Principal and interest due July 2029.	315,812
Mortgage payable to Bremer Bank N.A. at a variable interest rate (5% at December 31, 2015) with \$1,000 monthly payments. The note matures in November 2025. 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. Mortgage collateralized by real estate.	170,083
Affordable Rental Investment Fund Program mortgage payable to MHFA at a 1% interest rate and due in July 2029. Payments of principal and interest are not required until maturity.	695,050

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 5 Notes Payable (Continued)

Mortgage payable to Bremer Bank N.A. at a variable interest rate (5% at December 31, 2015) with \$2,512 monthly payments. The note matures in November 2025. 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. Mortgage collateralized by real estate.

314,869

Subtotal 2,164,258
Current maturities of notes payable (86,150)

Notes payable - Long-term \$ 2,078,108

Future debt maturities as of December 31, 2015, are as follows:

2016	\$ 86,150
2017	90,071
2018	124,118
2019	94,960
2020	99,386
<u>Thereafter</u>	<u>1,669,573</u>

Total \$ 2,164,258

Note 6 Forgivable Note Payable

The forgivable note payable at December 31, 2015, consists 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.

\$ 70,000

Current portion of forgivable notes payable (5,000)

Forgivable notes payable, long-term \$ 65,000

Future forgiveness of notes payable is as follows:

2016	\$ 5,000
2017	5,000
2018	5,000
2019	5,000
2020	5,000
<u>Thereafter</u>	<u>45,000</u>

Total \$ 70,000

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 7 Operating Leases

TVOC leases various facilities under operating leases which expire at various times through October 2020. All lease agreements include provisions for termination should government funding become unavailable. Lease expense for the year ended December 31, 2015, was \$461,398.

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

2016	\$ 334,394
2017	299,915
2018	299,915
2019	224,623
2020	78,307
<hr/>	
Total	<u>\$ 1,237,154</u>

Note 8 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of revolving loan funds and program contributions at December 31, 2015, as follows:

Transportation	\$ 430,316
Reach out for warmth	4,317
Revolving loan funds	299,776
<hr/>	
Temporarily restricted net assets	<u>\$ 734,409</u>

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 is to be used to cover energy payments for participants. Transportation is restricted to cover costs associated with the transportation program.

Note 9 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, 2015, was \$226,457.

Note 10 Concentration of Credit Risk

The Organizations maintain cash deposits 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. The Organizations have not experienced any losses in such accounts, and believes they are not exposed to any significant credit risk on cash.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 11 Functional Classification of Operating Expenses

The following program and supporting services are reflected in the statement of activities for the year ended December 31, 2015:

Program activity:	
Child education	\$14,335,205
Family and community services	1,370,443
Energy assistance and weatherization	220,262
Senior services	434,302
Transportation	2,836,392
Housing and housing rehabilitation	322,359
Homeless/shelter programs	240,364
Food programs	1,022,439
Rental activity	192,109
Corporate activities	337,883
Total program activities	21,311,758
Management and general expenses	1,204,339
Fund-raising	22,749
Total operating expenses	<u>\$22,538,846</u>

Note 12 Grant Awards

At December 31, 2015, TVOC has received commitments for future funding under various grant awards of approximately \$4,953,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Note 13 Line of Credit

TVOC has a \$100,000 line of credit which had no outstanding balance at December 31, 2015, with a maturity date of October 2017. 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 4.5% at December 31, 2015. The credit line is secured by all business assets, excluding property with a reversionary interest, of TVOC.

Note 14 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 \$1,030,775 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 15 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.

Note 16 Net Assets Acquired in Business Acquisition

Effective April 30, 2015, Fisher Townhomes, LLC acquired a 99.99% limited partner interest in the Fisher Townhomes Limited Partnership. Fisher Townhomes, LLC is a wholly owned subsidiary of TVOC. TVOC owns a .01% general partner interest in this partnership. Therefore, as of April 30, 2015, TVOC owns 100% of Fisher Townhomes, LP either directly or indirectly. The purchase price was \$5,000. The purchase price was repaid to Fisher Townhomes, LLC by the partnership. The Partnership was acquired to allow TVOC to provide low income housing to eligible tenants which is consistent with the mission of TVOC.

TVOC recognized this transaction as an acquisition of a business and recorded substantially all assets and liabilities of the existing business on April 30, 2015, resulting in net assets acquired in acquisition of (\$30,796), which is recorded on the consolidated statement of activities. Operations of the Partnership from May 1, 2015, through December 31, 2015, are included on the consolidated statement of activities.

The fair values of the assets and liabilities at the acquisition date are as follows:

Cash and reserves	\$	16,346
Accounts receivable		4,413
Property and equipment		463,300
Accounts payable	(	21,693)
Accrued interest payable	(	46,456)
Security deposit liability	(	4,416)
Notes payable	(	442,290)
<u>Net assets acquired in business acquisition</u>		<u>(\$ 30,796)</u>

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 16 **Net Assets Acquired in Business Acquisition (Continued)**

Effective April 30, 2015, Crookston Townhomes, LLC acquired a 99.99% limited partner interest in the Crookston Townhomes Limited Partnership. Crookston Townhomes, LLC is a wholly owned subsidiary of TVOC. TVOC owns a .01% general partner interest in this partnership. Therefore, as of April 30, 2015, TVOC owns 100% of the Crookston Townhomes, LP either directly or indirectly. The purchase price was \$143,000. The purchase price was repaid to Crookston Townhomes, LLC by the partnership. The Partnership was acquired to allow TVOC to provide low income housing to eligible tenants which is consistent with the mission of TVOC.

TVOC recognized this transaction as an acquisition of a business and recorded substantially all assets and liabilities of the existing business on April 30, 2015, resulting in net assets acquired in acquisition of \$345,918, which is recorded on the consolidated statement of activities. Operations of the Partnership from May 1, 2015, through December 31, 2015, are included on the consolidated statement of activities.

The fair values of the assets and liabilities at the acquisition date are as follows:

Cash and reserves	\$ 95,530
Accounts receivable	2,159
Property and equipment	1,467,300
Accounts payable	(3,118)
Accrued interest payable	(101,779)
Security deposit liability	(13,891)
Notes payable	(1,100,283)
<hr/>	
<u>Net assets acquired in business acquisition</u>	<u>\$ 345,918</u>

Note 17 **Lessor Activity**

The Organization's rental projects are a mix of low-to-moderate income and migrant housing projects. Leases are all for one year or less. Rental income for the year ended December 31, 2015 was \$355,280.

A summary of the acquisition costs and accumulated depreciation on the rental properties at December 31, 2015, is as follows:

Land	\$ 38,646
Buildings	2,217,751
<u>Equipment</u>	<u>32,585</u>
Subtotal	2,288,982
<u>Accumulated depreciation</u>	<u>(246,261)</u>
<hr/>	
<u>Net</u>	<u>\$ 2,042,721</u>

Supplementary Information

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2015

<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 Agriculture			
Passed-Through the MN Department of Education Child and Adult Care Food Program Total CFDA # 10.558	N/A	10.558	<u>\$ 193,241</u>
Passed-Through the MN Department of Education Summer Food Service Program for Children	N/A	10.559	260,558
Passed-Through the ND Department of Public Instruction Summer Food Service Program for Children Total CFDA # 10.559	N/A	10.559	<u>27,648</u> <u>288,206</u>
Passed-Through the MN Department of Human Services Food Support Outreach	GRK% 85329/GRK% 102219	10.580	<u>153,577</u>
Total U.S. Department of Agriculture Programs			<u>635,024</u>
U.S. Department of Transportation			
Passed-Through MN Department of Transportation Formula Grants for Other Than Urbanized Areas	07206, 1000806 05064, 06061, 06062	20.509	<u>901,039</u>
Mobility Management	07346	20.513	<u>232,000</u>
Total U.S. Department of Transportation Programs			<u>1,133,039</u>
U.S. Department of Education			
Passed-Through ND Department of Public Instruction Migrant Education	PHI016-15	84.011	17,058
Passed-Through the MN Department of Education Migrant Education Total CFDA # 84.011	2015-00381, 2015-00382 2014-00292, 2014-00293	84.011	<u>936,421</u> <u>953,479</u>
U.S. Department of Health and Human Services			
Passed-Through MN Community Action P/S MNSure Consumer Assistance	N/A	93.525	<u>10,614</u>
Passed-Through MN Housing Finance Agency Temporary Assistance for Needy Families	N/A	93.558	<u>208,865</u>
Passed-Through MN Department of Commerce Low-Income Home Energy Assistance	1563	93.568	<u>1,241,771</u>
Passed-Through MN Department of Human Services Community Services Block Grant	GRK% 65018	93.569	<u>99,042</u>
Passed-Through MN Department of Human Services Child Care and Development Block Grant	2015-00310 2014-00304, 2014-00305	93.575	<u>138,468</u>
Direct Grant Migrant Head Start Head Start	90CM979802/90CM979803 05CH830202/05CH830203	93.600	<u>11,836,381</u>

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2015

<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 Child Care and Development Block Grant	2014-00363/2015-00363	93.667	<u>351,912</u>
Total U.S. Department of Health and Human Services Programs			<u>13,887,053</u>
Corporation for National and Community Services			
Direct Grant Foster Grandparent Program	14SFNMN002 15SFNMN002	94.011	<u>229,754</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 16,838,349</u></u>

Notes to Schedule of Expenditures of Federal Awards

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Tri-Valley Opportunity Council, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of 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 cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 -10-Percent De Minimus Indirect Cost Rate

Tri-Valley Opportunity Council, Inc. has elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - State of Minnesota eHeat Payments

Included in CFDA #93.568 are client benefits paid by the state of Minnesota of \$1,030,775. These expenditures are not included in the consolidated statement of activities.

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2015

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/14	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/15
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	01/01/15-12/31/15	\$ 137,841	\$ 0	\$ 137,841	\$ 0	(\$ 137,841)	\$ 0	\$ 0	\$ 0
10.558		Child & Adult Care Food Program	MN Dept. of Education	01/01/15-12/31/15	55,400	0	55,400	0	(55,400)	0	0	0
		Subtotal 10.558				0	193,241	0	(193,241)	0	0	0
10.559		Summer Food Service Program	MN Dept. of Education	01/01/15-12/31/15	260,558	0	260,558	0	(260,558)	0	0	0
10.559		Summer Food Service Program	ND Dept. of Public Instruction	01/01/15-12/31/15	27,648	0	27,648	0	(27,648)	0	0	0
		Subtotal 10.559				0	288,206	0	(288,206)	0	0	0
10.580	GRK%85329	Food Support Outreach	MN Dept. of Human Services	10/01/14-09/30/15	154,210	124,911	0	0	(124,911)	0	0	0
10.580	GRK%102219	Food Support Outreach	MN Dept. of Human Services	10/01/15-09/30/16	188,505	0	188,505	0	(28,666)	0	0	159,839
		Subtotal 10.580				124,911	188,505	0	(153,577)	0	0	159,839
U.S. Department of Treasury												
21.000	PL110-289-95X1350	Foreclosure Mitigation Counseling	MHFA	07/01/11-12/31/15	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	07206	Transportation*	MN Dept. of Transportation	01/01/15-12/31/15	2,060,400	0	2,060,400	453,641	(2,157,354)	(226,649)	(130,038)	0
20.509	05064	Transportation	MN Dept. of Transportation	01/01/14-12/31/14	1,539,350	0	0	0	0	872	(872)	0
20.509	1000806	Transportation Capital	MN Dept. of Transportation	02/01/15-09/30/15	1,600	0	1,600	0	(1,600)	0	0	0
20.509	06061	Transportation TRF*	MN Dept. of Transportation	07/01/14-12/31/15	108,100	108,100	0	967	(38,168)	(70,899)	0	0
20.509	06062	Transportation Marketing*	MN Dept. of Transportation	07/01/14-12/31/15	11,600	11,600	0	0	(8,946)	(2,654)	0	0
		Subtotal 20.509				119,700	2,062,000	454,608	(2,206,068)	(299,330)	(130,910)	0
20.513	07346	Mobility Management	MN Dept. of Transportation	01/01/15-12/31/15	232,000	0	232,000	60,228	(292,228)	0	0	0
		Subtotal 20.513				0	232,000	60,228	(292,228)	0	0	0
U.S. Department of Education												
84.011	2014-00293	Migrant Education-State	MN Dept. of Education	07/01/14-06/30/15	810,000	501,141	0	0	(444,507)	(56,634)	0	0
84.011	2014-00292	Migrant Education-State	MN Dept. of Education	07/01/14-06/30/15	180,000	69,348	0	0	(69,348)	0	0	0
84.011	2015-00381	Migrant Education-State	MN Dept. of Education	07/01/15-06/30/16	773,345	0	773,345	0	(320,162)	0	0	453,183
84.011	2015-00382	Migrant Education-State	MN Dept. of Education	07/01/15-06/30/16	180,000	0	180,000	0	(102,404)	0	0	77,596
84.011	PII016-15	Migrant Education-State	ND Dept. of Public Instruction	05/01/15-12/31/15	21,774	0	21,774	0	(17,058)	(4,716)	0	0
		Subtotal 84.011				570,489	975,119	0	(953,479)	(61,350)	0	530,779

*Program has commingled federal and state funding.

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2015

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/14	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/15
U.S. Department of Health and Human Services												
93.525	N/A	MNSure Consumer Assistance	MN Community Action P/S	07/01/15-06/30/16	30,000	0	30,000	685 (	11,299)	0	0	19,386
Subtotal 93.525						0	30,000	685 (	11,299)	0	0	19,386
93.558	N/A	FHPAP	MHFA	07/01/13-06/30/15	370,000	111,587	0	0 (	111,587)	0	0	0
93.558	N/A	FHPAP	MHFA	07/01/15-06/30/17	386,102	0	386,102	2,888 (	100,166)	0	0	288,824
Subtotal 93.558						111,587	386,102	2,888 (	211,753)	0	0	288,824
93.568	1563	EAP	MN Dept. of Commerce	10/01/14-09/30/15	230,735	115,000	46,457	0 (	142,270)	19,187)	0	0
93.568	1563	EAP	MN Dept. of Commerce	10/01/15-09/30/16	194,866	0	194,866	0 (	68,726)	0	0	126,140
93.568	N/A	EAP eHeat Payments	MN Dept. of Commerce	01/01/15-12/31/15	N/A	0	1,030,775	0 (	1,030,775)	0	0	0
Subtotal 93.568						115,000	1,272,098	0 (	1,241,771)	19,187)	0	126,140
93.569	GRK%65018	CSBG 14	MN Dept. of Human Svcs.	10/01/13-09/30/15	55,563	44,991	0	0 (	44,991)	0	0	0
93.569	GRK%65018	CSBG 15	MN Dept. of Human Svcs.	10/01/13-06/30/16	55,563	0	55,563	0 (	54,051)	0	0	1,512
Subtotal 93.569						44,991	55,563	0 (	99,042)	0	0	1,512
93.575	2014-00305	MN CCR&R Parent Aware/QRIS	MN Dept. of Human Svcs.	07/01/14-06/30/15	5,236	2,395	4,069	0 (	6,464)	0	0	0
93.575	2015-00310	MN R&R	MN Dept. of Human Svcs.	07/01/15-06/30/16	292,080	0	292,080	945 (	66,351)	0	0	226,674
93.575	2014-00304	MN R&R	MN Dept. of Human Svcs.	07/01/14-06/30/15	115,564	66,598	0	1,070 (	79,877)	0	12,209	0
Subtotal 93.575						68,993	296,149	2,015 (	152,692)	0	12,209	226,674
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	859,964	0	5,291 (	909,186)	0	43,931	0
93.600	90CM9798/02	Migrant Early Head Start 14-15	U.S. Dept. of H.H.S.	04/01/14-03/31/15	1,496,785	870,779	0	0 (	819,884)	354,923)	304,028	0
93.600	05CH8302/02	Head Start 14-15	U.S. Dept. of H.H.S.	05/01/14-04/30/15	1,507,359	845,008	0	99,695 (	944,703)	0	0	0
93.600	05CH8302/02	Early Head Start 14-15	U.S. Dept. of H.H.S.	05/01/14-04/30/15	978,563	273,290	0	0 (	379,428)	0	106,138	0
93.600	90CM9798/03	Migrant Head Start 15-16	U.S. Dept. of H.H.S.	04/01/15-03/31/16	6,574,228	0	6,574,228	993,511 (	7,467,741)	0	62,231	162,229
93.600	90CM9798/03	Migrant Early Head Start 15-16	U.S. Dept. of H.H.S.	04/01/15-03/31/16	1,484,529	0	1,484,529	0 (	2,457,235)	0	1,072,182	99,476
93.600	05CH8302/03	Head Start 15-16	U.S. Dept. of H.H.S.	05/01/15-04/30/16	1,388,755	0	1,388,755	430,472 (	1,123,684)	0	0	695,543
93.600	05CH8302/03	Early Head Start 15-16	U.S. Dept. of H.H.S.	05/01/15-04/30/16	1,097,167	0	1,097,167	144 (	971,323)	0	119,180	245,168
Subtotal 93.600						2,849,041	10,544,679	1,529,113 (	15,073,184)	354,923)	1,707,690	1,202,416
93.667	2015-00363	Migrant Child Care	MN Dept. of Human Svcs.	07/01/15-06/30/16	438,696	0	438,696	0 (	166,690)	0	0	272,006
93.667	2014-00363	Migrant Child Care	MN Dept. of Human Svcs.	07/01/14-06/30/15	438,823	185,222	0	0 (	185,222)	0	0	0
Subtotal 93.667						185,222	438,696	0 (	351,912)	0	0	272,006

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2015

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/14	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/15
Corporation for National and Community Services												
94.011	14SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/14-06/30/15	256,811	121,278	0	29,059	(150,337)	0	0	0
94.011	15SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/15-06/30/16	256,811	0	256,811	3,397	(111,873)	0	0	148,335
Subtotal 94,011						121,278	256,811	32,456	(262,210)	0	0	148,335
Total Federal Programs						4,314,740	17,219,169	2,081,993	(21,490,662)	(734,790)	1,588,989	2,979,439
OTHER STATE AND LOCAL PROGRAMS												
N/A		FGP United Way	United Way	07/01/01-12/31/15	16,972	2,549	3,500	0	(4,299)	0	0	1,750
N/A		NMF Connecting At-Risk Youth	NW MN Foundation	02/25/15-04/30/15	10,300	0	10,300	0	(3,022)	0	0	7,278
N/A	GRK%64259	Transitional Housing	MN Dept. of Human Services	07/01/13-06/30/15	25,000	10,098	0	0	(10,098)	0	0	0
N/A	GRK%65018	MCAG	MN Dept. of Human Services	07/01/13-06/30/15	33,065	10,249	0	0	(10,249)	0	0	0
N/A	GRK%65018	MCAG	MN Dept. of Human Services	07/01/13-06/30/15	33,065	0	33,065	0	(33,065)	0	0	0
N/A	GRK%94819	MCAG	MN Dept. of Human Services	07/01/15-06/30/16	31,710	0	31,710	0	(16,223)	0	0	15,487
N/A	SCP-SFY 2015	Senior Companion - Clay Cty.	MN Dept. of Human Services	07/01/14-06/30/15	10,596	6,144	0	157	(6,301)	0	0	0
N/A	GFK%97351	Live Well at Home	MN Dept. of Human Services	08/07/15-06/30/17	100,000	0	100,000	7,322	(22,822)	0	0	84,500
N/A	FGP-SFY 2015	MN Foster Grandparent	MN Board on Aging	07/01/14-06/30/15	114,781	54,086	0	1,854	(60,239)	0	4,299	0
N/A	FGP-SFY 2016	MN Foster Grandparent	MN Board on Aging	07/01/15-06/30/16	114,781	0	114,781	0	(79,764)	0	0	35,017
N/A	2014-00253	MN Migrant HS	MN Dept. of Education	07/01/14-06/30/15	1,558,587	489,088	0	0	(489,088)	0	0	0
N/A	2015-00299	MN Migrant HS	MN Dept. of Education	07/01/15-06/30/16	1,558,587	0	1,558,587	0	(887,123)	0	0	671,464
N/A	2014-00254	MN Head Start	MN Dept. of Education	07/01/14-06/30/15	274,966	119,611	0	0	(119,611)	0	0	0
N/A	2015-00300	MN Head Start	MN Dept. of Education	07/01/15-06/30/16	349,824	0	349,824	0	(105,707)	0	0	244,117
N/A	140122	NW6 Bridges	MN Dept. of Human Services	01/01/14-12/31/15	13,426	0	781	0	0	0	(781)	0
N/A	MRA16449	Bridges Rent Assistance	MHFA	07/01/13-06/30/15	50,000	12,063	0	0	(9,621)	(8,394)	5,952	0
N/A	MRA16448	Bridges Rent Assistance	MHFA	07/01/13-06/30/15	26,000	14,529	0	0	(4,658)	(6,723)	(3,148)	0
N/A	D3853	Bridges Rent Assistance	MHFA	07/01/15-06/30/16	64,000	0	64,000	0	(11,834)	0	6,374	52,166
N/A	D3853	Bridges Rent Assistance	MHFA	07/01/15-06/30/16	14,000	0	14,000	0	(2,462)	0	0	11,538
N/A		Supportive Services	Mahube Community Council	07/01/13-12/31/15	212,300	80,513	53,075	0	(126,064)	(7,524)	0	0
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	04/01/15-03/31/16	10,000	0	10,000	1,085	(11,085)	0	0	0
N/A		NW BCBS Access	Mahube Community Council	04/01/14-03/31/15	21,600	10,122	0	0	(10,122)	0	0	0
N/A		Polk Cty. Collaborative-CCR&R	Polk County Collaborative	08/01/12-06/30/15	23,842	2,565	0	0	(2,565)	0	0	0
N/A	07298	Transportation	MN Dept. of Transportation	01/01/15-12/31/15	364,800	0	364,800	104,263	(464,597)	(4,466)	0	0
N/A	1001635	Transportation Capital	MN Dept. of Transportation	10/01/15-12/31/16	65,600	0	65,600	0	0	0	0	65,600
N/A	2016-00090	Early Learning Scholarships	MN Dept. of Education	07/01/15-06/30/16	831,269	0	831,269	0	(191,460)	0	0	639,809
N/A	2013-00437	Early Learning Scholarships	MN Dept. of Education	09/25/13-06/30/16	1,009,762	511,301	50,000	0	(448,585)	0	0	112,716
N/A	2013-00448	RTT-EC Software System	MN Dept. of Education	12/23/13-11/30/15	142,318	64,996	0	0	(56,707)	(8,289)	0	0
Subtotal Other State and Local Programs						1,419,872	3,655,292	114,681	(3,187,371)	(35,396)	12,696	1,973,400
TOTALS						\$ 5,734,612	\$ 20,874,461	\$ 2,196,674	(\$ 24,678,033)	(\$ 770,186)	\$ 1,601,685	\$ 4,952,839

Tri-Valley Opportunity Council, Inc.

Consolidating Statement of Financial Position

December 31, 2015

<i>Assets</i>	TVOC	Fisher Townhomes	Crookston Townhomes	Subtotals	Eliminations	Totals
Current assets:						
Cash	\$ 792,790	\$ 46,027	\$ 170,137	\$ 1,008,954	\$ 0	\$ 1,008,954
Grants receivable	1,743,492	0	0	1,743,492	0	1,743,492
Accounts receivable	249,943	4,413	1,789	256,145	0	256,145
Revolving loans receivable, current portion	91,481	0	0	91,481	0	91,481
Homes held for sale	52,000	0	0	52,000	0	52,000
Prepaid expenses	223,299	0	0	223,299	0	223,299
Total current assets	3,153,005	50,440	171,926	3,375,371	0	3,375,371
Other assets:						
Long-term revolving loans receivable	246,881	0	0	246,881	0	246,881
Accounts receivable, subsidiary	16,053	0	0	16,053	(16,053)	0
Note receivable, subsidiary	100,000	0	0	100,000	(100,000)	0
Total other assets	362,934	0	0	362,934	(116,053)	246,881
Property and equipment, net	5,242,495	453,211	1,435,345	7,131,051	0	7,131,051
TOTAL ASSETS	\$ 8,758,434	\$ 503,651	\$ 1,607,271	\$ 10,869,356	(\$ 116,053)	\$ 10,753,303
Liabilities and Net Assets						
Current liabilities:						
Current maturities of notes payable	\$ 67,843	\$ 3,571	\$ 14,736	\$ 86,150	\$ 0	\$ 86,150
Current maturities of forgivable notes payable	5,000	0	0	5,000	0	5,000
Accounts payable	389,437	25,267	19,297	434,001	(16,053)	417,948
Accrued payroll and related expenses	751,564	0	0	751,564	0	751,564
Grant funds received in advance	257,288	0	0	257,288	0	257,288
Total current liabilities	1,471,132	28,838	34,033	1,534,003	(16,053)	1,517,950
Long-term liabilities:						
Notes payable	600,601	482,324	1,095,183	2,178,108	(100,000)	2,078,108
Accrued interest payable	0	46,456	101,779	148,235	0	148,235
Forgivable notes payable	65,000	0	0	65,000	0	65,000
Total long-term liabilities	665,601	528,780	1,196,962	2,391,343	(100,000)	2,291,343
Total liabilities	2,136,733	557,618	1,230,995	3,925,346	(116,053)	3,809,293
Net assets:						
Unrestricted net assets	1,597,021	(53,967)	376,276	1,919,330	0	1,919,330
Unrestricted net assets - Grant-funded fixed assets	4,290,271	0	0	4,290,271	0	4,290,271
Total unrestricted net assets	5,887,292	(53,967)	376,276	6,209,601	0	6,209,601
Temporarily restricted net assets	734,409	0	0	734,409	0	734,409
Total net assets	6,621,701	(53,967)	376,276	6,944,010	0	6,944,010
TOTAL LIABILITIES AND NET ASSETS	\$ 8,758,434	\$ 503,651	\$ 1,607,271	\$ 10,869,356	(\$ 116,053)	\$ 10,753,303

Tri-Valley Opportunity Council, Inc.

Consolidating Statement of Activities
Year Ended December 31, 2015

	Unrestricted						Temporarily Restricted	Total
	TVOC	Fisher Townhomes	Crookston Townhomes	Elimination	Total Unrestricted			
Revenue:								
Grant revenue	\$ 19,692,795	\$ 0	\$ 0	\$ 0	\$ 19,692,795	\$ 0	\$ 19,692,795	
Program contributions	2,155,812	0	0	0	2,155,812	0	2,155,812	
Tenant rent	159,216	44,034	152,030	0	355,280	0	355,280	
Interest income	5,516	4	85	0	5,605	0	5,605	
In-kind contributions	872,109	0	0	0	872,109	0	872,109	
Other income	51,121	8,621	10,575	(16,053)	54,264	0	54,264	
Net assets released from restriction through satisfaction of program restrictions	21,889	0	0	0	21,889	(21,889)	0	
Total revenue	22,958,458	52,659	162,690	(16,053)	23,157,754	(21,889)	23,135,865	
Operating expenses:								
Salaries and wages	10,362,182	0	0	0	10,362,182	0	10,362,182	
Fringe benefits	2,914,079	0	0	0	2,914,079	0	2,914,079	
Consultants/contracted labor	1,602,274	5,424	18,717	0	1,626,415	0	1,626,415	
Travel/transportation	1,063,781	0	0	0	1,063,781	0	1,063,781	
Occupancy	773,348	20,758	38,411	(6,053)	826,464	0	826,464	
Supplies	1,519,621	22	67	0	1,519,710	0	1,519,710	
Repairs and maintenance	807,305	19,493	19,552	0	846,350	0	846,350	
Communications	222,241	1,248	353	0	223,842	0	223,842	
Beneficiary assistance	920,307	0	0	0	920,307	0	920,307	
Depreciation	735,457	10,089	31,954	0	777,500	0	777,500	
Other	554,033	18,796	23,278	(10,000)	586,107	0	586,107	
In-kind expenses	872,109	0	0	0	872,109	0	872,109	
Total operating expenses	22,346,737	75,830	132,332	(16,053)	22,538,846	0	22,538,846	
Change in net assets	611,721	(23,171)	30,358	0	618,908	(21,889)	597,019	
Net assets acquired in business acquisition	0	(30,796)	345,918	0	315,122	0	315,122	
Net assets - Beginning of year	5,275,571	0	0	0	5,275,571	756,298	6,031,869	
Net assets - End of year	\$ 5,887,292	(\$ 53,967)	\$ 376,276	\$ 0	\$ 5,894,479	\$ 734,409	\$ 6,944,010	



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 consolidated financial statements of Tri-Valley Opportunity Council, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year ended December 31, 2015, and the related notes to the consolidated financial statements and have issued our report thereon dated April 12, 2016. The financial statements of Fisher Townhomes, LLC, Fisher Townhomes, LP, Crookston Townhomes, LLC and Crookston Townhomes, LP were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, 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 consolidated 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 attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-Valley Opportunity Council, Inc.'s consolidated 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 signature is written in a cursive, slightly slanted style.

Wipfli LLP

April 12, 2016
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 compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. 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 is responsible for compliance with the statutes, regulations, and the terms and conditions of its grant awards 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state 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 of 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, 2015.

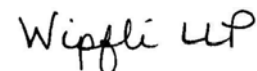
Report on Internal Control Over Compliance

Management of Tri-Valley Opportunity Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

April 12, 2016
Madison, Wisconsin

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal and state programs:	
Material weaknesses identified?	No
Significant deficiency identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No

Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Head Start	93.600
Low-Income Home Energy Assistance Grant	93.568
Migrant Education Grant	84.011
Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
Auditee qualified as low-risk auditee?	No

Section II. Findings – Financial Statements Audit

None

Section III. Findings and Questioned Costs – Major Federal Award Programs Audit

None

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

Section IV. Findings and Questioned Costs - Prior Year

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.*

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.

Management Response from Prior Year

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.

Tri-Valley Opportunity Council, Inc.

Schedule of Findings and Questioned Costs

Section IV. Findings and Questioned Costs - Prior Year (Continued)

- 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.
- 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.

Status of Prior Year Finding

This finding has been resolved as Tri-Valley Opportunity Council, Inc. met the enrollment requirement of the current year grant.