

Tri-Valley Opportunity Council, Inc.

Crookston, Minnesota

Consolidated Financial Statements and Supplementary
Information

Year Ended December 31, 2018

Tri-Valley Opportunity Council, Inc.

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2018

Table of Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	17
Schedule of Program Activity	19
Consolidating Statement of Financial Positions	22
Consolidating Statement of Revenues and Expenses	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	24
Independent Auditor's Report on Compliance for Each Major Federal Program and Internal Control Over Compliance	26
Schedule of Findings and Questioned Costs	28



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, 2018, 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, and Agassiz Townhomes General Partner, LLC, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Tri-Valley Opportunity Council, Inc. and Subsidiaries adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended December 31, 2018.

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 revenues and expenses 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. The 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 5, 2019, 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 solely 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 effectiveness of Tri-Valley Opportunity Council, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Tri-Valley Opportunity Council, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

April 5, 2019
Madison, Wisconsin

Tri-Valley Opportunity Council, Inc.

Consolidated Statement of Financial Position

December 31, 2018

<i>Assets</i>	
Current assets:	
Cash	\$ 2,156,546
Grants receivable	1,190,909
Accounts receivable	191,263
Development fee receivable, current portion	78,898
Revolving loans receivable, current portion	61,302
Homes held for sale	521,045
Prepaid expenses	82,963
Total current assets	4,282,926
Other assets:	
Investment in partnership	421,750
Development fee receivable	371,102
Long-term revolving loans receivable	107,547
Total other assets	900,399
Property and equipment, net	6,024,843
TOTAL ASSETS	\$ 11,208,168
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current maturities of notes payable	\$ 309,551
Current maturities of forgivable notes payable	5,000
Accounts payable	293,983
Accrued payroll and related expenses	891,982
Development fee payable, current portion	5,068
Deferred revenue	190,000
Grant funds received in advance	221,046
Total current liabilities	1,916,630
Long-term liabilities:	
Notes payable	1,614,798
Accrued interest payable	193,300
Developer fee payable	111,331
Forgivable notes payable	50,000
Total long-term liabilities	1,969,429
Total liabilities	3,886,059
Net assets:	
Net assets without donor restrictions	2,787,249
Net assets without donor restrictions - Grant-funded fixed assets	3,519,607
Total net assets without donor restrictions	6,306,856
Net assets with donor restrictions	1,015,253
Total net assets	7,322,109
TOTAL LIABILITIES AND NET ASSETS	\$ 11,208,168

See accompanying notes to consolidated financial statements.

Tri-Valley Opportunity Council, Inc.

Consolidated Statement of Activities Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grant revenue	\$ 18,705,337	\$ 98,736	\$ 18,804,073
Program contributions	2,252,300	48,309	2,300,609
Tenant rents	438,820	0	438,820
Interest income	14,520	0	14,520
In-kind contributions	891,448	0	891,448
Other income	899,299	0	899,299
Net assets released from restriction through satisfaction of program restrictions	64,879	(64,879)	0
Total revenue	23,266,603	82,166	23,348,769
Program activity			
Child education	14,386,093	0	14,386,093
Family and community services	927,269	0	927,269
Energy assistance and weatherization	325,877	0	325,877
Senior services	471,978	0	471,978
Transportation	3,178,041	0	3,178,041
Housing and housing rehabilitation	125,335	0	125,335
Homeless/shelter programs	383,189	0	383,189
Food programs	561,062	0	561,062
Rental activity	580,954	0	580,954
Corporate activities	480,568	0	480,568
Total program activity	21,420,366	0	21,420,366
Management and general	1,358,260	0	1,358,260
Fund-raising	11,639	0	11,639
Total expense	22,790,265	0	22,790,265
Change in net assets	476,338	82,166	558,504
Net assets - Beginning of year	5,830,518	933,087	6,763,605
Net assets - End of year	\$ 6,306,856	\$ 1,015,253	\$ 7,322,109

See accompanying notes to consolidated financial statements.

Tri-Valley Opportunity Council, Inc.

Consolidated Statement of Cash Flows Year Ended December 31, 2018

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 558,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	883,496
Debt forgiveness	(5,000)
Net mortgage discount amortization	(42,026)
Loss on disposal of assets	1,909
Changes in operating assets and liabilities:	
Grants receivable	469,429
Accounts receivable	47,135
Development fee receivable	(450,000)
Prepaid expenses	52,526
Homes held for sale	(236,145)
Accounts payable	(281,098)
Accrued payroll and related expenses	160,354
Accrued interest	10,109
Development fee payable	116,399
Deferred revenue	190,000
Grant funds received in advance	(47,754)
Net cash provided by operating activities	1,427,838
Cash flows from investing activities:	
Purchase of property and equipment	(403,452)
Investment in partnership	(421,750)
Repayments received on revolving loans	145,504
Net cash used in investing activities	(679,698)
Cash flows from financing activities:	
Payments on notes payable	(92,600)
Net cash used in financing activities	(92,600)
Change in cash	655,540
Cash - Beginning of year	1,501,006
Cash - End of year	\$ 2,156,546
Supplemental schedule of operating activities:	
Interest paid and expensed	\$ 53,431
Supplemental schedule of noncash investing and financing activities:	
Home sold under land contract	(\$ 57,000)
Purchase of homes held for sale with debt	60,000

See accompanying notes to consolidated 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 government grants, with approximately 55% 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 (IRC). 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 IRC. The Partnership shall cease on December 31, 2050, unless dissolved sooner.

Agassiz Townhomes General Partner, LLC is a wholly owned subsidiary of TVOC that was organized to purchase the general partner interest in the Agassiz Townhomes, LP.

Principles of Consolidation

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

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 of the Organizations and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Homes Held for Sale

Homes held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. 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

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revolving Loans Receivable (Continued)

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. 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.

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.

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.

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 \$3,519,607 at December 31, 2018.

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 with or without donor restriction, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized.

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

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.

Agassiz Townhomes General Partner, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes.

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. 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

Tri-Valley Opportunity Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions (Continued)

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 \$235,000 which are not recorded in the statement of activities. In-kind is primarily related to the Head Start program.

Functional Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

Change in Accounting Policy

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes.

Subsequent Events

Subsequent events have been evaluated through April 5, 2019, which is the date the financial statements were available to be issued.

Note 2: Grants Receivable

This balance at December 31, 2018, consists of amounts due from funding sources as follows:

Federal programs	\$ 211,990
State and other programs	978,919
<u>Total</u>	<u>\$ 1,190,909</u>

Note 3: 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.

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

Note 3: Revolving Loans Receivable (Continued)

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

Loans receivable	\$ 436,474
Discount on loans receivable	(267,625)
<hr/>	
Loans receivable, net	168,849
Current portion	(61,302)
<hr/>	
Net long-term loans receivable	\$ 107,547

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 4: Property and Equipment

The balance at December 31, 2018, consists of the following:

Land	\$ 290,116
Building and improvements	10,203,931
Furniture and equipment	5,165,945
<hr/>	
Subtotal	15,659,992
Accumulated depreciation	(9,635,149)
<hr/>	
Property and equipment, net	\$ 6,024,843

Note 5: Investment in Partnership

Agassiz Townhomes General Partner, LLC invested \$421,750 for a .01% general partner interest in Agassiz Townhomes LP as of December 31, 2018. Agassiz Townhomes, LP completed construction in late 2018 and is currently in the rent-up phase. There was minimal operating activity in Agassiz Townhomes LP for 2018.

Note 6: Notes Payable

The notes payable at December 31, 2018, consist of the following:

Note payable to Bremer Bank, National Association, collateralized by real estate, payable in monthly installments of \$2,755, with a variable interest rate (currently 6.02%), due December 2022.	\$ 117,043
Note payable to Bremer Bank, National Association, collateralized by land and building, payable in monthly installments of \$850, with a variable interest rate (currently 6.02%), due June 2025.	54,568
Note payable to Bremer Bank, National Association, collateralized by land and building, payable in monthly installments of \$2,827, with a variable interest rate (currently 5.28%), due September 2023.	142,300

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

Note 6: Notes Payable (Continued)

Note payable to Farmers Home Administration, Department of Agriculture, collateralized with property, with interest at 1%, with monthly payments of \$620, due 2032.	89,048
Note payable to Bremer Bank, National Association, collateralized by land and building, with a variable interest rate (currently 5.16%), payable in monthly installments of \$523, due November 2023.	23,688
Mortgage payable to Minnesota Housing Finance Agency (MHFA) with interest at 1% compounded annually. Principal and interest due July 2029. Collateralized by real estate.	315,812
Mortgage payable to Bremer Bank N.A. at a variable interest rate (currently 5%) 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. The Organization is not in compliance with the debt/worth ratio on the mortgage payable, and therefore the outstanding balance is shown as currently payable.	159,079
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. Collateralized by real estate.	695,050
Mortgage payable to Bremer Bank N.A. at a variable interest rate (currently 5%) 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.	267,761
Note payable to Northwest Minnesota Foundation at an interest rate of 2% for constructing home. Principal and interest are due December 2019. Collateralized by the home.	60,000
Subtotal	1,924,349
Current maturities of notes payable	(309,551)
<u>Notes payable - Long-term</u>	<u>\$ 1,614,798</u>

Future debt maturities as of December 31, 2018, are as follows:

2019	\$ 309,551
2020	94,710
2021	99,461
2022	104,661
2023	63,101
Thereafter	1,252,865
<u>Total</u>	<u>\$ 1,924,349</u>

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

Note 7: Forgivable Note Payable

The forgivable note payable at December 31, 2018, 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.

	\$ 55,000
<u>Current portion of forgivable notes payable</u>	<u>(5,000)</u>
<u>Forgivable notes payable, long-term</u>	<u>\$ 50,000</u>

Future forgiveness of notes payable is as follows:

2019	\$ 5,000
2020	5,000
2021	5,000
2022	5,000
2023	5,000
<u>Thereafter</u>	<u>30,000</u>
<u>Total</u>	<u>\$ 55,000</u>

Note 8: Operating Leases

TVOC leases various facilities under operating leases which expire at various times through August 2022. All lease agreements include provisions for termination should government funding become unavailable. Lease expense for the year ended December 31, 2018, was \$537,157.

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

2019	\$ 447,721
2020	250,009
2021	127,131
<u>2022</u>	<u>50,494</u>
<u>Total</u>	<u>\$ 875,355</u>

Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of revolving loan funds and program contributions. 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. Food service is restricted to cover costs associated with the CACFP and summer food programs.

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

Note 9: Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions at December 31, 2018, are as follows:

Transportation	\$ 678,481
Food service	98,735
Reach out for warmth	5,998
Revolving loan funds	232,039
Net assets with donor restrictions	\$ 1,015,253

Note 10: 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, 2018, was \$289,413.

Note 11: 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.

Note 12: Functional Classification of Operating Expenses

The following operating expenses are reflected in the consolidated statement of activities for the year ended December 31, 2018:

Expenses	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 10,099,843	\$ 709,409	\$ 9,431	\$ 10,818,683
Fringe benefits	2,792,097	269,815	2,208	3,064,120
Consultants and contracted labor	1,358,975	142,415	0	1,501,390
Travel/transportation	859,699	32,715	0	892,414
Occupancy	1,120,707	51,067	0	1,171,774
Supplies	1,143,197	21,152	0	1,164,349
Repairs and maintenance	797,899	0	0	797,899
Communications	158,715	31,343	0	190,058
Beneficiary assistance	971,889	0	0	971,889
Depreciation	883,496	0	0	883,496
Other	342,401	100,344	0	442,745
In-kind expenses	891,448	0	0	891,448
Total expenses	\$ 21,420,366	\$ 1,358,260	\$ 11,639	\$ 22,790,265

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

Note 13: Related Party Transaction

TVOC has a development fee agreement with Agassiz Townhomes, LP of which Agassiz Townhomes General Partner, LLC is a .01% general partner. The development fee agreement is for \$500,000. The entire fee was earned as of December 31, 2018 and \$50,000 had been received resulting in a development fee receivable of \$450,000 as of December 31, 2018. TVOC expects to receive \$78,898 of this in 2019 and balance of \$371,102 after 2019 based on cash flow of the partnership.

Note 14: Grant Awards

At December 31, 2018, TVOC has received commitments for future funding under various grant awards of approximately \$9,083,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

Note 15: Line of Credit

TVOC has a \$100,000 line of credit which had no outstanding balance at December 31, 2018, with a maturity date of September 2019. Bank advances on the credit line are payable on demand with a variable interest rate of prime plus 1% with a minimum interest rate of 5.25%. The interest rate is 6.5% at December 31, 2018. The credit line is secured by all business assets, excluding property with a reversionary interest, of TVOC.

Note 16: 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 \$1,075,673 paid by the state are not included in the statement of activities as they were not part of the grant award.

Note 17: 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.

Tri-Valley Opportunity Council, Inc.

Notes to Consolidated Financial Statements

Note 18: 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, 2018 was \$438,820.

A summary of the acquisition costs and accumulated depreciation on the rental properties at December 31, 2018, is as follows:

Land	\$ 38,646
Buildings	2,217,750
<u>Equipment</u>	<u>38,665</u>
Subtotal	2,295,061
<u>Accumulated depreciation</u>	<u>(477,245)</u>
Net	<u>\$ 1,817,816</u>

Note 19: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, are comprised of the following as of December 31, 2018:

Cash and cash equivalents	\$ 2,156,546
Less: Net assets with donor restrictions in cash	(509,732)
<u>Less: Grant funds received in advance</u>	<u>(221,046)</u>
Total	<u>\$ 1,425,768</u>

The Organization's do not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately 1 month of operating expenses. The Organizations can rely on a lower cash balance as they are primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred an organization can request reimbursement from the funding source. Their grants have varying renewal dates. TVOC has grant commitments for future expenses of over \$9,000,000. In addition, TVOC can also draw on a \$100,000 line of credit if needed for cash flow purposes.

Supplementary Information

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Sub-Recipient</u>	<u>Federal Expenditures</u>
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			\$ 0	\$ 265,089
Child Nutrition Cluster				
Passed-Through the MN Department of Education Summer Food Service Program for Children	N/A	10.559	0	108,952
Passed-Through the ND Department of Public Instruction Summer Food Service Program for Children	N/A	10.559	0	17,637
Total CFDA # 10.559			0	126,589
Passed-Through the MN Department of Human Services Food Support Outreach	133148	10.580	0	193,873
U.S. Department of Housing and Urban Development				
Continuum of Care Supportive Housing	MN0410L5K061700 MN0255L5K061706 MN0255L5K061605	14.267	0	114,318
U.S. Department of Transportation				
Passed-Through MN Department of Transportation Formula Grants for Other Than Urbanized Areas	1026737	20.509	0	809,767
Federal Transit Cluster				
Transportation Capital	1027273	20.526	0	(507)
U.S. Department of Education				
Passed-Through ND Department of Public Instruction Migrant Education	F84011-A	84.011	0	82,000
Passed-Through the MN Department of Education Migrant Education	3335, 3336	84.011	0	589,477
Total CFDA # 84.011			0	671,477
U.S. Department of Health and Human Services				
Passed-Through MN Community Action P/S MNSure Consumer Assistance	N/A	93.525	0	20,832
TANF Cluster				
Passed-Through MN Housing Finance Agency Temporary Assistance for Needy Families	N/A	93.558	0	178,012
Passed-Through MN Department of Commerce Low-Income Home Energy Assistance	1563	93.568	0	1,406,898
Passed-Through MN Department of Human Services Community Services Block Grant	127539 / 142021	93.569	0	58,405
CCDF Cluster				
Passed-Through MN Department of Human Services Child Care and Development Block Grant	131087	93.575	0	162,434
Direct Grant				
Migrant Head Start	90CM979805			
Head Start	05CH830205/05CH01052801	93.600	0	10,362,680

Tri-Valley Opportunity Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal CFDA Number	Sub-Recipient	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed-Through MN Department of Human Services Child Care and Development Block Grant	3322 / 127366	93.667	0	418,872
Corporation for National and Community Services				
Direct Grant				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	17SFNMN002 18SFNMN002	94.011	0	233,903
TOTAL FEDERAL EXPENDITURES			\$ 0	\$ 15,022,642

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, 2018. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - State of Minnesota eHeat Payments

Included in CFDA #93.568 are client benefits paid by the state of Minnesota of \$1,075,673. These expenditures are not included in the statement of activities.

NOTE 4 - 10-percent De Minimus

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

Tri-Valley Opportunity Council, Inc.

Schedule B

Schedule of Program Activity Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/18
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	01/01/18-12/31/18	\$ 81,230	\$ 0	\$ 81,230	\$ 0	\$ 81,230	\$ 0	\$ 0	\$ 0
10.558		Child & Adult Care Food Program	MN Dept. of Education	01/01/18-12/31/18	206,500	0	206,500	(183,859)	0	0	0	0
		Subtotal 10.558				0	287,730	0	(265,089)	0	0	0
10.559		Summer Food Service Program	MN Dept. of Education	01/01/18-12/31/18	195,054	0	170,895	(108,952)	0	0	0	0
10.559		Summer Food Service Program	ND Dept. of Public Instruction	01/01/18-12/31/18	40,027	0	31,788	(17,637)	0	0	0	0
		Subtotal 10.559				0	202,683	0	(126,589)	0	0	0
10.580	133148	Food Support Outreach	MN Dept. of Human Services	10/01/18-09/30/19	206,357	0	64,677	(64,677)	0	0	0	0
10.580	133148	Food Support Outreach	MN Dept. of Human Services	10/01/17-09/30/18	187,751	0	129,196	(129,196)	0	0	0	0
		Subtotal 10.580				0	193,873	0	(193,873)	0	0	0
U.S. Department HUD												
14.267	MN0410L5K061700	Contunuum of Care	US Dept of HUD	08/08/18-08/07/19	36,217	0	7,440	(7,440)	0	0	0	0
14.267	MN0255L5K061706	Contunuum of Care	US Dept of HUD	09/24/18-09/23/19	127,202	0	13,130	(13,130)	0	0	0	0
14.267	MN0255L5K061605	Supportive Housing	US Dept of HUD	12/01/17-11/30/18	123,206	0	93,748	(93,748)	0	0	0	0
		Subtotal 14.267				0	114,318	0	(114,318)	0	0	0
U.S. Department of Transportation												
20.509	1026737	Transportation *	MN Dept. of Transportation	01/01/18-12/31/18	2,302,650	0	2,084,136	(431,699)	(2,451,925)	0	(18,011)	0
		Subtotal 20.509				0	2,084,136	431,699	(2,451,925)	0	(18,011)	0
20.526	1027273	Transportation Capital	MN Dept. of Transportation	04/01/17-12/31/17	189,093	0	(507)	507	0	0	0	0
		Subtotal 20.526				0	(507)	507	0	0	0	0
U.S. Department of Education												
84.011	3335	Migrant Education-State	MN Dept. of Education	07/01/18-06/30/19	637,043	0	242,833	(242,833)	0	0	0	0
84.011	3336	Migrant Education-State	MN Dept. of Education	07/01/18-06/30/19	117,966	0	47,103	(47,103)	0	0	0	0
84.011	3335	Migrant Education-State	MN Dept. of Education	07/01/17-06/30/18	624,817	0	256,204	(256,204)	0	0	0	0
84.011	3336	Migrant Education-State	MN Dept. of Education	07/01/17-06/30/18	117,966	0	43,337	(43,337)	0	0	0	0
84.011	F84011-A	Migrant Education-State	ND Dept. of Public Instruction	06/01/18-12/15/18	82,000	0	82,000	(82,000)	0	0	0	0
		Subtotal 84.011				0	671,477	0	(671,477)	0	0	0

*Program has commingled federal and state funding.

Tri-Valley Opportunity Council, Inc.

Schedule B Schedule of Program Activity Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/18
U.S. Department of Health and Human Services												
93.525	N/A	MNSure Consumer Assistance	MN Community Action P/S	07/01/17-06/30/18	25,259	0	9,227	0 (	9,227)	0	0	0
93.525	N/A	MNSure Consumer Assistance	MN Community Action P/S	07/01/18-06/30/19	25,259	0	11,605	0 (	11,605)	0	0	0
		Subtotal 93.525				0	20,832	0 (	20,832)	0	0	0
93.558	N/A	FHPAP	MHFA	07/01/17-06/30/19	349,562	2,308	175,704	0 (	178,012)	0	0	0
		Subtotal 93.558				2,308	175,704	0 (	178,012)	0	0	0
93.568	1563	EAP	MN Dept. of Commerce	10/01/18-09/30/19	282,051	0	98,541	0 (	98,541)	0	0	0
93.568	1563	EAP	MN Dept. of Commerce	10/01/17-09/30/18	253,644	0	232,684	60 (	232,744)	0	0	0
93.568	N/A	EAP eHeat Payments	MN Dept. of Commerce	01/01/18-12/31/18	N/A	0	1,075,673	0 (	1,075,673)	0	0	0
		Subtotal 93.568				0	1,406,898	60 (	1,406,958)	0	0	0
93.569	127539	CSBG 18	MN Dept. of Human Svcs.	10/01/17-09/30/18	69,909	0	54,780	0 (	54,780)	0	0	0
93.569	142021	CSBG Discretionary	MN Dept. of Human Svcs.	06/01/18-09/30/18	5,000	0	3,625	0 (	3,625)	0	0	0
		Subtotal 93.569				0	58,405	0 (	58,405)	0	0	0
93.575	131087	Child Care Aware	MN Dept. of Human Svcs.	07/01/17-06/30/18	156,672	0	92,132 (	3,909) (	88,223)	0	0	0
93.575	131087	Child Care Aware	MN Dept. of Human Svcs.	07/01/18-06/30/19	160,912	0	70,302	0 (	70,302)	0	0	0
		Subtotal 93.575				0	162,434 (	3,909) (	158,525)	0	0	0
93.600	90CM9798/05	Migrant Head Start 18-19	U.S. Dept. of H.H.S.	04/01/18-02/28/19	8,414,947	0	6,152,134	776,582 (	6,928,716)	0	0	0
93.600	90CM9798/05	Migrant Early Head Start 18-19	U.S. Dept. of H.H.S.	04/01/18-02/28/19	1,543,251	0	720,000	5,905 (	2,184,973)	0	1,522,628	63,560
93.600	05CH010528/01	Head Start 18-19	U.S. Dept. of H.H.S.	05/01/18-04/30/19	2,977,061	0	725,811	348,275 (	1,074,086)	0	0	0
93.600	05CH010528/01	Early Head Start 18-19	U.S. Dept. of H.H.S.	05/01/18-04/30/19	1,205,202	0	804,000	106,000 (	1,182,412)	0	276,525	4,113
93.600	90CM9798/05	Migrant Head Start 17-18	U.S. Dept. of H.H.S.	04/01/17-03/31/18	7,686,031	0	910,886	15,392 (	926,278)	0	0	0
93.600	90CM9798/05	Migrant Early Head Start 17-18	U.S. Dept. of H.H.S.	04/01/17-03/31/18	1,525,356	108,543 (	101,144)	1,497 (	114,396)	0	105,500	0
93.600	05CH8302/05	Head Start 17-18	U.S. Dept. of H.H.S.	05/01/17-04/30/18	1,755,619	0	833,276	120,247 (	953,523)	0	0	0
93.600	05CH8302/05	Early Head Start 17-18	U.S. Dept. of H.H.S.	05/01/17-04/30/18	1,173,933	0	276,847	0 (	365,396)	0	88,549	0
		Subtotal 93.600				108,543	10,321,810	1,373,898 (	13,729,780)	0	1,993,202	67,673
93.667	3322	Migrant Child Care	MN Dept. of Human Svcs.	07/01/17-06/30/18	439,652	0	235,899	0 (	235,899)	0	0	0
93.667	127366	Migrant Child Care	MN Dept. of Human Svcs.	07/01/18-06/30/19	439,727	0	182,973	0 (	182,973)	0	0	0
		Subtotal 93.667				0	418,872	0 (	418,872)	0	0	0
Corporation for National and Community Services												
94.011	18SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/18-06/30/19	256,811	0	110,589	7,658 (	118,247)	0	0	0
94.011	17SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/17-06/30/18	256,811	0	123,314	18,334 (	141,648)	0	0	0
		Subtotal 94.011				0	233,903	25,992 (	259,895)	0	0	0
		Total Federal Programs				110,851	16,352,568	1,828,247 (	20,054,550)	0	1,975,191	67,673

Tri-Valley Opportunity Council, Inc.

Schedule B

Schedule of Program Activity Year Ended December 31, 2018

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/17	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/18
OTHER STATE AND LOCAL PROGRAMS												
N/A		FGP United Way	United Way	Ongoing	16,972	5,750	3,000	0 (	2,647)	0	0	6,103
N/A		Child Care Aware Em Preparedness	Child Care Aware MN	01/01/17-06/30/18	12,000	0	4,704	0 (	4,704)	0	0	0
N/A	16-47540	Supportive Housing	Otto Bremer Foundation	05/19/16-05/18/18	128,468	56,640	0	0 (	12,925)	43,715)	0	0
N/A	127239	Transitional Housing	MN Dept. of Human Services	07/01/17-06/30/19	95,000	0	45,158	0 (	45,158)	0	0	0
N/A	127539	MCAG	MN Dept. of Human Services	07/01/17-06/30/18	49,593	0	48,462	0 (	48,462)	0	0	0
N/A	127539	MCAG	MN Dept. of Human Services	07/01/18-06/30/19	49,593	0	4,923	0 (	4,923)	0	0	0
N/A		MNSure	MN Dept. of Human Services	03/01/16-12/31/18	0	0	0	3,405 (	5,551)	0	0	0
N/A	134750	Live Well at Home	MN Dept. of Human Services	08/07/17-06/30/19	106,272	0	17,166	64,831 (	81,997)	0	0	0
N/A	FGP-SFY 2018	MN Foster Grandparent	MN Board on Aging	07/01/17-06/30/18	114,781	0	74,223	12,753 (	86,976)	0	0	0
N/A	FGP-SFY 2019	MN Foster Grandparent	MN Board on Aging	07/01/18-06/30/19	114,781	0	43,928	1,963 (	45,891)	0	0	0
N/A	143539	MN Migrant HS	MN Dept. of Education	07/01/18-06/30/19	1,705,534	0	1,036,001	0 (	1,036,001)	0	0	0
N/A	4134	MN Migrant HS	MN Dept. of Education	07/01/17-06/30/18	1,756,747	0	719,359	0 (	719,359)	0	0	0
N/A	143538	MN Head Start	MN Dept. of Education	07/01/18-06/30/19	343,399	0	193,061	0 (	193,061)	0	0	0
N/A	4136	MN Head Start	MN Dept. of Education	07/01/17-06/30/18	353,522	0	172,014	0 (	172,014)	0	0	0
N/A	D3853	Bridges Rent Assistance	MHFA	07/01/15-06/30/16	64,000	0	0	0	0	0 (	7,317)	0
N/A	D3853	Bridges Rent Assistance	MHFA	07/01/15-06/30/16	14,000	0	0	0	0	0 (	1,511)	0
N/A	MRA17566	Bridges Rent Assistance	MHFA	07/01/17-06/30/19	100,000	0	56,069	0 (	56,069)	0	8,204	0
N/A		Supportive Services	Mahube Community Council	07/01/16-12/31/19	424,300	0	95,564	0 (	93,840)	0	0	1,724
N/A		Supportive Services	MN Dept. of Human Services	07/01/18-12/31/19	25,770	0	7,556	0 (	7,556)	0	0	0
N/A		Bremer 211	Bremer Foundation	03/01/08-12/31/18	110,000	31,958	0	0 (	587)	0	0	31,371
N/A	SPAP-17-0004-P-FY17	Child Care DEED	MN DEED	03/01/17-03/31/18	51,500	0	13,686	15,835 (	29,521)	0	0	0
N/A	1027989	Transportation Expansion	MN Dept. of Transportation	07/01/17-06/30/18	106,000	25,203	26,500	3,211 (	54,914)	0	0	0
N/A	1031255	Transportation Expansion	MN Dept. of Transportation	07/01/18-06/30/19	91,250	0	67,971	0 (	67,971)	0	0	0
N/A	1027739	Transportation Communter Challenge	MN Dept. of Transportation	04/04/17-12/31/17	29,830	0 (	18,011)	0	0	0	18,011	0
N/A	1027274	Transportation Capital-TRF Remodel	MN Dept. of Transportation	08/24/17-06/30/18	10,400	0	4,456	1,114 (	5,570)	0	0	0
N/A	1029135	Transportation Capital-Service Van	MN Dept. of Transportation	09/21/17-06/30/18	24,000	0	23,583	5,896 (	29,479)	0	0	0
N/A	1029848	Transportation Capital-Buses	MN Dept. of Transportation	03/01/18-12/31/18	194,400	0	190,743	47,685 (	238,428)	0	0	0
N/A	2016-00090	Early Learning Scholarships	MN Dept. of Education	07/01/17-06/30/18	468,129	0	18,169	0 (	18,169)	0	0	0
N/A		Pathway I	MN Dept. of Education	07/01/17-06/30/19	1,225,577	0	524,583	0 (	524,583)	0	0	0
N/A		Pathway II	MN Dept. of Education	07/01/18-06/30/19	262,500	0	228,159	0 (	124,147)	0	0	104,012
N/A		Pathway II	MN Dept. of Education	07/01/17-06/30/18	262,500	8,638	98,349	0 (	106,987)	0	0	0
N/A		Pathway II	MN Dept. of Education	07/01/16-06/30/17	262,500	29,760 (	29,760)	0	0	0	0	0
N/A		NW MN Foundation PPREP	NW MN Foundation	07/01/18-12/31/19	13,000	0	13,000	0 (	2,837)	0	0	10,163
Subtotal Other State and Local Programs						157,949	3,682,616	156,693 (	3,820,327) (	43,715)	17,387	153,373
TOTALS						\$ 268,800	\$ 20,035,184	\$ 1,984,940 (\$	23,874,877) (\$	43,715) \$	1,992,578	\$ 221,046

Reconciliation of expenses on this schedule to the consolidated statement of activities

Expense on this schedule	\$ 23,874,877
Less HS transfers (in fed and state expense totals)	(1,993,202)
Less EAP payments made by the State	(1,075,673)
Less non GAAP inkind	(235,570)
Plus corporate expenses	2,504,483
Less intercompany eliminations	(284,650)
Expesne on the Consolidated Statement of Activities	\$ 22,790,265

Tri-Valley Opportunity Council, Inc.

Consolidating Statement of Financial Position

December 31, 2018

<i>Assets</i>	TVOC *	Fisher Townhomes	Crookston Townhomes	Subtotals	Eliminations	Totals
Current assets:						
Cash	\$ 1,844,130	\$ 14,343	\$ 298,073	\$ 2,156,546	\$ 0	\$ 2,156,546
Grants receivable	1,190,909	0	0	1,190,909	0	1,190,909
Accounts receivable	351,731	4,413	17,172	373,316	(182,053)	191,263
Development fee receivable, current portion	78,898	0	0	78,898	0	78,898
Revolving loans receivable, current portion	61,302	0	0	61,302	0	61,302
Homes held for sale	521,045	0	0	521,045	0	521,045
Prepaid expenses	82,963	0	0	82,963	0	82,963
Total current assets	4,130,978	18,756	315,245	4,464,979	(182,053)	4,282,926
Other assets:						
Investment in partnership	421,750	0	0	421,750	0	421,750
Development fee receivable	371,102	0	0	371,102	0	371,102
Long-term revolving loans receivable	107,547	0	0	107,547	0	107,547
Total other assets	900,399	0	0	900,399	0	900,399
Property and equipment, net	4,325,482	407,811	1,291,550	6,024,843	0	6,024,843
TOTAL ASSETS	\$ 9,356,859	\$ 426,567	\$ 1,606,795	\$ 11,390,221	(\$ 182,053)	\$ 11,208,168
<i>Liabilities and Net Assets</i>						
Current liabilities:						
Current maturities of notes payable	\$ 133,676	\$ 159,079	\$ 16,796	\$ 309,551	\$ 0	\$ 309,551
Current maturities of forgivable notes payable	5,000	0	0	5,000	0	5,000
Accounts payable	263,876	88,508	23,652	376,036	(82,053)	293,983
Accrued payroll and related expenses	891,982	0	0	891,982	0	891,982
Development fee payable, current portion	5,068	0	0	5,068	0	5,068
Deferred revenue	190,000	0	0	190,000	0	190,000
Grant funds received in advance	221,046	0	0	221,046	0	221,046
Total current liabilities	1,710,648	247,587	40,448	1,998,683	(82,053)	1,916,630
Long-term liabilities:						
Notes payable	352,971	315,812	1,046,015	1,714,798	(100,000)	1,614,798
Accrued interest	0	64,789	128,511	193,300	0	193,300
Development fee payable	111,331	0	0	111,331	0	111,331
Forgivable notes payable	50,000	0	0	50,000	0	50,000
Total long-term liabilities	514,302	380,601	1,174,526	2,069,429	(100,000)	1,969,429
Total liabilities	2,224,950	628,188	1,214,974	4,068,112	(182,053)	3,886,059
Net assets (deficit):						
Net assets (deficit) without donor restrictions	2,597,049	(201,621)	391,821	2,787,249	0	2,787,249
Net assets without donor restrictions - Grant-funded fixed assets	3,519,607	0	0	3,519,607	0	3,519,607
Total net assets without donor restrictions	6,116,656	(201,621)	391,821	6,306,856	0	6,306,856
Net assets with donor restrictions	1,015,253	0	0	1,015,253	0	1,015,253
Total net assets (deficit)	7,131,909	(201,621)	391,821	7,322,109	0	7,322,109
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 9,356,859	\$ 426,567	\$ 1,606,795	\$ 11,390,221	(\$ 182,053)	\$ 11,208,168

* Includes balances related to Agassiz Townhomes General Partner, LLC

Tri-Valley Opportunity Council, Inc.

Consolidating Statement of Revenues and Expenses
Year Ended December 31, 2018

	Without Donor Restriction					With Donor Restriction	Totals
	TVOC *	Fisher Townhomes	Crookston Townhomes	Elimination	Total Without Donor Restriction		
Revenue:							
Grant revenue	\$ 18,705,337	\$ 0	\$ 0	\$ 0	18,705,337	\$ 98,736	\$ 18,804,073
Program contributions	2,252,300	0	0	0	2,252,300	48,309	2,300,609
Tenant rents	159,767	52,642	226,411	0	438,820	0	438,820
Interest income	14,224	5	291	0	14,520	0	14,520
In-kind contributions	891,448	0	0	0	891,448	0	891,448
Other income	844,326	6,116	48,857	0	899,299	0	899,299
Net assets released from restriction through satisfaction of program restrictions	64,879	0	0	0	64,879	(64,879)	0
Total revenue	22,932,281	58,763	275,559	0	23,266,603	82,166	23,348,769
Operating expenses:							
Salaries and wages	10,818,683	0	0	0	10,818,683	0	10,818,683
Fringe benefits	3,064,120	0	0	0	3,064,120	0	3,064,120
Consultants/contracted labor	1,466,135	7,036	28,219	0	1,501,390	0	1,501,390
Travel/transportation	892,414	0	0	0	892,414	0	892,414
Occupancy	1,064,992	40,827	65,955	0	1,171,774	0	1,171,774
Supplies	1,163,305	347	697	0	1,164,349	0	1,164,349
Repairs and maintenance	639,244	54,616	104,039	0	797,899	0	797,899
Communications	184,234	2,418	3,406	0	190,058	0	190,058
Beneficiary assistance	971,889	0	0	0	971,889	0	971,889
Depreciation	820,431	15,133	47,932	0	883,496	0	883,496
Other	425,565	460	16,720	0	442,745	0	442,745
In-kind expenses	891,448	0	0	0	891,448	0	891,448
Total operating expenses	22,402,460	120,837	266,968	0	22,790,265	0	22,790,265
Change in net assets	529,821	(62,074)	8,591	0	476,338	82,166	558,504
Net assets (deficit) - Beginning of year	5,586,835	(139,547)	383,230	0	5,830,518	933,087	6,763,605
Net assets (deficit) - End of year	\$ 6,116,656	(\$ 201,621)	\$ 391,821	\$ 0	\$ 6,306,856	\$ 1,015,253	\$ 7,322,109

* Includes activity related to Agassiz Townhomes General Partner, LLC



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, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 5, 2019. The financial statements of Fisher Townhomes, LLC, Fisher Townhomes, LP, Crookston Townhomes, LLC, Crookston Townhomes, LP and Agassiz Townhomes General Partner, LLC, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, flowing style.

Wipfli LLP

April 5, 2019
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 Tri-Valley Opportunity Council, Inc.'s major federal programs for the year ended December 31, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Wipfli LLP

Wipfli LLP

April 5, 2019
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>
Formula Grants for Other Than Urbanized Areas	20.509
Low-Income Home Energy Assistance	93.568
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. Findings – Financial Statements Audit

None

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

None

Section IV. Findings and Questioned Costs - Prior Year

None