

# Tri-Valley Opportunity Council

Consolidated Financial Statements  
and Supplementary Information

Year Ended December 31, 2020



# Tri-Valley Opportunity Council, Inc.

Consolidated Financial Statements and Supplementary Information  
Year Ended December 31, 2020

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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, 2020, and the related consolidated statements of activities, functional expenses, 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 did not audit the financial statements of Agassiz Townhomes LP, a majority-owned subsidiary, which statements reflect total assets of \$6,624,628 as of December 31, 2020, and total revenues of \$270,679 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Agassiz Townhomes LP, is based solely on the report of the other auditors. 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, Agassiz 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2020, 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 revenue and expenditures 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, which insofar as it relates to Agassiz Townhomes, LP is based on the report of other auditors, 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 14, 2021, 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* in considering Tri-Valley Opportunity Council, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

April 14, 2021  
Madison, Wisconsin

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Consolidated Statement of Financial Position

December 31, 2020

<i>Assets</i>	
Current assets:	
Cash	\$ 4,854,302
Grants receivable	1,074,398
Accounts receivable	512,941
Revolving loans receivable, current portion	35,070
Homes held for sale	200,000
Prepaid expenses	80,002
<b>Total current assets</b>	<b>6,756,713</b>
Other assets:	
Long-term revolving loans receivable	107,020
<b>Total other assets</b>	<b>107,020</b>
Property and equipment, net	14,533,596
<b>TOTAL ASSETS</b>	<b>\$ 21,397,329</b>
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current maturities of notes payable	\$ 277,709
Current maturities of forgivable notes payable	5,000
Current maturities of capital lease payable	15,243
Accounts payable	400,838
Accrued payroll and related expenses	938,090
Deferred obligation	79,168
Refundable advances	1,378,070
<b>Total current liabilities</b>	<b>3,094,118</b>
Long-term liabilities:	
Notes payable	2,416,031
Capital lease payable	66,101
Accrued interest payable	214,023
Forgivable notes payable	40,000
<b>Total long-term liabilities</b>	<b>2,736,155</b>
<b>Total liabilities</b>	<b>5,830,273</b>
Net assets:	
Without donor restrictions	3,358,377
Without donor restrictions - grant funded property	5,717,053
Without donor restrictions - attributable to noncontrolling interest	5,243,215
<b>Total net assets without donor restrictions</b>	<b>14,318,645</b>
Net assets with donor restrictions	1,248,411
<b>Total net assets</b>	<b>15,567,056</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,397,329</b>

See accompanying notes to consolidated financial statements.

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Consolidated Statement of Activities Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grant revenue	\$ 24,969,750	\$ 0	\$ 24,969,750
Program contributions	346,604	58,461	405,065
Contracted services	856,867	0	856,867
Tenant rents	740,795	0	740,795
Interest income	13,436	0	13,436
In-kind contributions	887,608	0	887,608
Other income	292,064	0	292,064
Net assets released from restriction	0	0	0
<b>Total revenue</b>	<b>28,107,124</b>	<b>58,461</b>	<b>28,165,585</b>
Program Activity:			
Child education	17,426,304	0	17,426,304
Family and community services	1,126,808	0	1,126,808
Energy assistance	302,427	0	302,427
Senior services	412,173	0	412,173
Transportation	2,723,278	0	2,723,278
Housing and housing rehabilitation	104,378	0	104,378
Homeless/shelter programs	1,118,070	0	1,118,070
Food programs	745,016	0	745,016
Rental activity	972,494	0	972,494
Corporate activities	478,047	0	478,047
<b>Total program activities</b>	<b>25,408,995</b>	<b>0</b>	<b>25,408,995</b>
Management and general expenses	1,459,700	0	1,459,700
Fund-raising	18,591	0	18,591
<b>Total operating expenses</b>	<b>26,887,286</b>	<b>0</b>	<b>26,887,286</b>
<b>Change in net assets</b>	<b>1,219,838</b>	<b>58,461</b>	<b>1,278,299</b>
Agassiz capital contributions by limited partner	348,935	0	348,935
Net assets - Beginning of year	12,749,872	1,189,950	13,939,822
<b>Net assets - End of year</b>	<b>\$ 14,318,645</b>	<b>\$ 1,248,411</b>	<b>\$ 15,567,056</b>

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	<b>Program</b>	<b>Management and General</b>	<b>Fund-raising</b>	<b>Total</b>
Salaries and wages	\$ 12,410,953	\$ 830,601	\$ 12,567	\$ 13,254,121
Fringe benefits	3,145,510	316,294	6,024	3,467,828
Consultants/contracted labor	1,749,646	84,661	0	1,834,307
Travel/transportation	421,453	13,231	0	434,684
Occupancy	1,043,072	109,432	0	1,152,504
Supplies	1,797,550	39,675	0	1,837,225
Repairs and maintenance	580,230	0	0	580,230
Communications	203,409	25,264	0	228,673
Beneficiary assistance	1,466,414	0	0	1,466,414
Depreciation	1,197,723	0	0	1,197,723
Other	505,427	40,542	0	545,969
In-kind expenses	887,608	0	0	887,608
<b>Total Expenses</b>	<b>\$ 25,408,995</b>	<b>\$ 1,459,700</b>	<b>\$ 18,591</b>	<b>\$ 26,887,286</b>

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Consolidated Statement of Cash Flows Year Ended December 31, 2020

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 1,278,299
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,197,723
Amortization of finance fees included in interest expense	1,849
Debt forgiveness	( 5,000)
Net mortgage discount amortization	( 59,667)
Bad debt expense	99,564
Gain on disposal of assets	( 23,019)
Changes in operating assets and liabilities:	
Grants receivable	38,196
Accounts receivable	( 411,940)
Prepaid expenses	50,146
Homes held for sale	210,889
Accounts payable	64,495
Accrued payroll and related expenses	( 105,307)
Accrued interest	8,411
Development fee payable	( 116,399)
Deferred obligation	( 130,832)
Refundable advances	911,747
Net cash provided by operating activities	3,009,155
Cash flows from investing activities:	
Purchase of property and equipment	( 2,164,026)
Proceeds from disposal of property and equipment	62,856
Repayments received on revolving loans	57,952
Net cash used in investing activities	( 2,043,218)
Cash flows from financing activities:	
Payments on notes payable	( 135,087)
Capital contributions from limited partner	348,935
Net cash provided by financing activities	213,848
Change in cash	1,179,785
Cash - Beginning of year	3,674,517
Cash - End of year	\$ 4,854,302
<b>Supplemental schedule of operating activities:</b>	
Interest paid and expensed	\$ 71,111
<b>Supplemental schedule of noncash investing and financing activities:</b>	
Homes repossessed under land contract sale	\$ 30,937
Asset acquired under capital lease	\$ 81,344

See accompanying notes to consolidated financial statements.



# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Operations**

Established in 1965, the mission of Tri-Valley Opportunity Council, Inc. (“TVOC”) 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 TVOC is to provide a seamless system of support by integrating services, reducing redundancies, and maximizing opportunities for clients and communities.

TVOC is primarily supported through government grants, with approximately 64% of the TVOC’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, Limited Partnership. 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 (“Fisher”) 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 (“Crookston”) 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.

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.

Agassiz Townhomes LP was formed to acquire, own, construct, operate and lease 6 townhome buildings with 30 units in Crookston, MN (“Agassiz”). The Project provides affordable housing utilizing the low-income housing tax program. TVOC has the option of right of first refusal to acquire Agassiz Townhomes LP and has determined that it appears to be prudent and feasible that they will exercise that option at the end of the compliance period.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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

#### **Principles of Consolidation**

The accompanying consolidated financial statements include TVOC and all of the wholly owned subsidiaries listed above. In addition, Agassiz Townhomes LP has also been consolidated in accordance with the consolidation guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2017-02, *Not-for-Profit Entities – Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*. All significant intercompany transactions and balances have been eliminated in consolidation. Collectively, the entities are referred to as the “Organization”.

#### **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 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 Attributable to Noncontrolling Interest – Net assets attributable to noncontrolling interest represent the equity interest of the outside owner (the Limited Partner) in the consolidated Agassiz Townhomes LP. This interest is reported as a separate component of the Organization’s net assets.

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 accounting principles generally accepted in the United States 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 Organization considers 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

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

#### **Homes Held for Sale**

Homes held for sale are stated at the lower of cost or net realized value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predicted costs of completion, disposal, and transportation. The balance consists of 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. 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 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 Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

Property and equipment purchased with grant funds is owned by TVOC while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded equipment is \$5,717,053 at December 31, 2020.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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

#### **Revenue Recognition**

##### Contracted Services

TVOC operates the Tri-Valley Heartland Express, providing transportation services to the general public in eight Minnesota counties: Polk, Red Lake, Norman, Marshall, Kittson, Pennington, Mahanomen, and Clearwater. Buses have seating available for up to 40 passengers. The program is operated using grants provided by the Minnesota Department of Transportation and fare box revenue. Grants provided by the Minnesota Department of Transportation are reported as contributions. Fare box revenue is reported at the point in time the ride is provided to the customer, at an amount that reflects the consideration to which TVOC believes is entitled in exchange for providing the transportation service. Customers pay per ride upon entering the bus through cash deposits into the fareboxes on the buses, or they may have purchased passes from bus drivers or at the Transportation office, at a stand-alone selling price. TVOC also provides transportation services where consideration for the service provided is expected to be paid for by third-party payors. Generally, third party payors are billed in the month the service is performed. TVOC determines the transaction price based on the contractual agreement with the third-party payor. The amount recorded for transportation services provided at the point in time the service is performed was \$587,486 for the year ended December 31, 2020.

TVOC has contracts to provide transportation and shuttle services to business and universities in Crookston and Thief River Falls, Minnesota. The contracts contain only one performance obligation which is to provide rides during the agreed upon dates and times specified in the contract. Revenue from these contracts is recognized over the term of the contract as TVOC provides the service. The passage of time is used as management considers that to be the best available measure of progress on TVOC's delivery of the service. Revenue is reported at the amount of consideration that TVOC expects to be entitled to in exchange for providing the service. TVOC determines the transaction price based on standard charges for the service provided. The amount recorded for contracted transportation services provided over time was \$80,175 for the year ended December 31, 2020.

TVOC offers childcare services outside Head Start program operating hours. The cost of these services is covered by parents or a third-party payor. TVOC's performance obligation is to perform childcare services. The revenue is recognized over time, as the benefit is consumed at the same time of the service being performed. Revenue is reported at an amount of consideration that TVOC expects to be entitled to in exchange for providing the service. TVOC determines that transaction price based on standard charges for the service provided. The amount recorded for childcare services over time was \$189,206 for the year ended December 31, 2020.

##### Tenant Rents

Tenant rents represent income received from various sources for use of affordable housing property or space owned by the Organization. The income is recognized in the period in which it is earned.

##### Contributions

Contributions are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution contains a condition when both of the following are present:

- An explicit identifying of a barrier, that is more trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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

#### **Revenue Recognition (Continued)**

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions 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 restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

#### Grants

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

##### **A. Grant Awards that are Contributions**

Grants awards that are contributions are evaluated for conditions and recognized as revenue when the conditions are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received where conditions have not been met are reflected as a refundable advance.

##### **B. Grant Awards that are Exchange Transactions**

Exchange transactions are those in which the resource provider or grantor received a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

#### **Debt Issuance Costs**

Debt issuance costs represent costs associated with obtaining debt to finance the construction of a building. Unamortized financing fees have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method which approximates the effective interest method.

#### **Unemployment**

TVOC self-funds their unemployment claims through a third party administrator (TPA). TVOC makes quarterly estimates to the TPA to cover expected future claims. Amounts not disbursed by the TPA are available for future claims of TVOC. TVOC has chosen to net the funds held by the TPA against their estimated liability recorded for future claims. The funds available at the TPA at December 31, 2020 were \$740,588 and the estimated future claims were \$944,543. A net liability of \$203,955 is reflected in accrued payroll and related expenses at December 31, 2020.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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### **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.

Agassiz Townhomes General Partner, LLC is a sole member LLC and, therefore, is treated as disregarded entity for tax purposes. Agassiz Townhomes, LP is not a taxpaying entity. All tax effects of the partnership are passed through to the partners of the partnership.

The Organization 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 that 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 consolidated financial statements. The Organization 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 consolidated statement of activities in accordance with accounting standards generally accepted in the United States, 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, primarily for the head start program, of nonprofessional volunteers during the year with a value of approximately \$84,402 which are not recorded in the consolidated statement of activities.

#### **Functional Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. Wages and benefits are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### New Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. The Organization is currently evaluating the impact of the provisions of ASU Topic 842.

#### Subsequent Events

Subsequent events have been evaluated through April 14, 2021, which is the date the financial statements were available to be issued.

### Note 2: Grants Receivable

This balance at December 31, 2020, consists of amounts due from funding sources as follows:

Federal programs	\$ 650,953
State and other programs	423,445
<hr/>	
Total	<u>\$ 1,074,398</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.

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

Loans receivable	\$ 337,038
Discount on loans receivable	( 194,948)
<hr/>	
Loans receivable, net	142,090
Current portion	( 35,070)
<hr/>	
Net long-term loans receivable	<u>\$ 107,020</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 Consolidated Financial Statements

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### Note 4: Property and Equipment

The balance at December 31, 2020, consists of the following:

Land	\$ 380,852
Land improvements	295,094
Building and improvements	18,354,365
Furniture and equipment	6,255,704
Construction in progress	3,625
Subtotal	25,289,640
Accumulated depreciation	(10,756,044)
<u>Property and equipment, net</u>	<u>\$ 14,533,596</u>

Construction in progress is related to renovation projects at TVOC's Prairieland Duplex rental property. Costs to date are included above in construction in progress as of December 31, 2020 for architectural costs. The renovations will be financed with Rural Development loan funds. There are no construction commitments at December 31, 2020.

### Note 5: Notes Payable

The notes payable at December 31, 2020, 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.	\$ 62,069
Note payable to Bremer Bank, National Association, collateralized by transit building, payable in monthly installments of \$850, with a variable interest rate (currently 6.02%), due June 2025.	40,011
Note payable to Bremer Bank, National Association, collateralized by Apple Valley building, payable in monthly installments of \$2,827, with a variable interest rate (currently 5.28%), due September 2023.	86,903
Note payable to Farmers Home Administration, Department of Agriculture, collateralized with property, with interest at 1%, with monthly payments of \$620, due 2032.	77,480
Note payable to Bremer Bank, National Association, collateralized by transit building, with a variable interest rate (currently 5.16%), payable in monthly installments of \$523, due November 2023.	13,095
Mortgage payable to Minnesota Housing Finance Agency (MHFA) with interest at 1% compounded annually. Principal and interest due July 2029. Collateralized by Fisher Townhomes property.	315,812
Mortgage payable to Northwest Minnesota Foundation with interest at 2%. Principal and interest are due upon sale of house which occurred in February 2021.	20,382



# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

### Note 5: Notes Payable (Continued)

Mortgage payable to Bremer Bank N.A. at a variable interest rate (currently 3.92%) with \$1,000 monthly payments. The note matures in November 2025. 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. 149,999

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 Crookston Townhomes property. 695,050

Mortgage payable to Greater Minnesota Housing Fund (GMHF), secured by real estate and an assignment of the tax increment receivable of Agassiz Townhomes LP, with monthly payments of \$2,809 and interest at 4.90%. The loan matures December 2045. 513,633

Mortgage payable to Minnesota Housing, secured by real estate of Agassiz Townhomes LP, without interest. Principal due December 2045. 315,000

Mortgage payable to GMHF, secured by real estate under Agassiz Townhomes LP, without interest. Monthly principal payments of \$7,517 are based on cash flow after certain other payments are made as defined in the partnership agreement. Principal due December 2045. 218,000

Mortgage payable to Bremer Bank N.A. at a variable interest rate (currently 3.92%) with \$2,512 monthly payments. The note matures in November 2025. Mortgage collateralized by real estate. 234,222

Subtotal 2,741,656

Unamortized debt issuance costs ( 47,916)

Current maturities of notes payable ( 277,709)

Notes payable - Long-term \$ 2,416,031

Future debt maturities as of December 31, 2020, are as follows:

2020 \$ 277,709

2021 113,617

2022 72,500

2023 48,129

2024 45,172

Thereafter 2,184,529

Total \$ 2,741,656

At December 31, 2020, the original cost of the financing fees was \$83,275 and accumulated amortization was \$35,359. Amortization of financing fees for the year ended December 31, 2020 was \$1,849.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

### Note 6: Forgivable Note Payable

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.

	\$ 45,000
Current portion of forgivable notes payable	( 5,000)
<u>Forgivable notes payable, long-term</u>	<u>\$ 40,000</u>

Future forgiveness of notes payable is as follows:

2021	\$ 5,000
2022	5,000
2023	5,000
2024	5,000
2025	5,000
Thereafter	20,000
<u>Total</u>	<u>\$ 45,000</u>

### Note 7: Capital Lease

TVOC leases IT server equipment under a lease classified as a capital lease. The leased equipment is amortized on a straight-line basis over 5 years. The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of December 31, 2020. The interest rate related to the lease obligation is 4.978% and the maturity date is November 2025.

2021	\$ 18,335
2022	18,335
2023	18,335
2024	18,335
2025	18,334
Total minimum lease payments	\$ 91,674
Less interest	10,330
<u>Present value of minimum lease payments</u>	<u>\$ 81,344</u>

At December 31, 2020, the current portion of the capital lease liability is \$15,243 and the long-term portion is \$66,101.

### Note 8: 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 are to be used to cover energy payments for participants. Transportation is restricted to cover costs associated with the transportation program. Food program is restricted to cover costs associated with the food service program.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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### Note 8: Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions as December 31, 2020, are as follows:

Transportation	\$ 978,337
Food service	28,146
Reach out for warmth	7,556
Revolving loan funds	234,372
<hr/>	
Net assets with donor restrictions	\$ 1,248,411

### Note 9: Operating Leases

TVOC leases various facilities under operating leases which expire at various times through October 2025. All lease agreements include provisions for termination should government funding become unavailable. Lease expense for the year ended December 31, 2020, was \$632,473. Minimum future rental payments under the operating leases are as follows:

2021	\$ 408,360
2022	344,788
2023	293,869
2024	244,734
2025	88,656
<hr/>	
Total	\$ 1,380,407

### 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 contribution of 5% of the annual gross wages of the employee. The employees are vested immediately. The employer's contribution for the year ended December 31, 2020, was \$388,086.

### Note 11: Refundable Advances

Refundable advances at December 31, 2020 are associated with the following programs:

Transportation	\$ 831,483
Head Start and Migrant Head Start	249,784
Family homeless assistance program	93,819
COVID Housing assistance program	76,859
Other	126,125
<hr/>	
Total refundable advances	\$ 1,378,070

### Note 12: Grant Awards

At December 31, 2020, TVOC has received commitments for future funding under various grant awards of approximately \$12,220,000. These commitments are not recognized in the accompanying consolidated financial statements as receivables and revenue as they are conditional awards.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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### **Note 13: Line of Credit**

TVOC has a \$100,000 line of credit which had no outstanding balance at December 31, 2020, with a maturity date of September 2021. 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 5.25% at December 31, 2020. 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 \$703,505 paid by the state are not included in the consolidated statement of activities as they were not part of the grant award.

### **Note 15: Commitments and Contingencies**

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.

Under the partnership agreement for Agassiz Townhomes LP, TVOC made a guarantee for operating deficits. The agreement stipulates that the obligation is unlimited through the date of payment of the investor limited partner's final installment capital contribution. After the final installment has been paid, Agassiz Townhomes General Partner, LLC is limited to \$117,146 in the aggregate and continues for a minimum of 5 years. Agassiz Townhomes General Partner, LLC can be released from the obligation at the 49<sup>th</sup> month after the final installment if the following conditions are met: (1) a debt service coverage ratio of at least 1.15 to 1.0 for a 12-month period and a projected debt service coverage ratio of 1.15 to 1 for the compliance period; and (2) the operating reserve balance is fully funded with a balance of at least \$117,146. Agassiz Townhomes General Partner, LLC is also obligated to make unlimited operating deficit loans throughout the compliance period for any obligation resulting from the failure to receive subsidies under the HAP contract, failure to receive low income rental classification for property taxes, providing supporting services, and failure to obtain any TIF payments. Advances made under the operating deficit guaranty bear interest at prime, compounded annually, and are repayable from cash flow. There is no indication that any of the conditions will not be met. Accordingly, no provision for any liability has been recorded.

# Tri-Valley Opportunity Council, Inc.

## Notes to Consolidated Financial Statements

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### Note 16: Lessor Activity

The Organization's rental projects are a mix of low-to-moderate income projects and a migrant housing project. Leases are all for one year or less. Rental income for the year ended December 31, 2020 was \$740,795. A summary of the acquisition costs and accumulated depreciation on the rental properties at December 31, 2020, is as follows:

Land	\$ 129,382
Land improvements	295,094
Buildings	8,488,497
Equipment	209,833
Construction in progress	3,625
Subtotal	9,126,431
Accumulated depreciation	( 1,092,879)
Net	\$ 8,033,552

### Note 17: 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 consolidated statement of financial position date, are comprised of the following as of December 31, 2020:

Cash	\$ 4,854,302
Receivables	1,587,339
Financial assets available	6,441,641
Less: Net assets with donor restriction in cash	(1,106,321)
Less: Refundable advance	(1,378,070)
Total	\$ 3,957,250

The Organization does not have a formal liquidity policy but generally maintains financial assets in cash for approximately 1 month of operating expenses. The Organization 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. The Organization has grant commitments for future expenses of over \$12,220,000. In addition, the Organization can also draw on a \$100,000 line of credit if needed for cash flow purposes.

### Note 18: Concentration of Credit Risk

The Organization maintains cash deposits primarily 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 Organization has not experienced any losses in such accounts, and believes they are not exposed to any significant credit risk on cash.

# **Supplementary Information**

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# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

<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>
<b>U.S. Department of Agriculture</b>				
Passed-Through the MN Department of Education Child and Adult Care Food Program	N/A	10.558	\$ 0	\$ 241,884
Passed-Through the ND Department of Public Instruction Child and Adult Care Food Program	N/A	10.558	0	5,450
<b>Total CFDA # 10.558</b>			<b>0</b>	<b>247,334</b>
<b>Child Nutrition Cluster</b>				
Passed-Through the MN Department of Education Summer Food Service Program for Children	N/A	10.559	0	45,529
Passed-Through the ND Department of Public Instruction Summer Food Service Program for Children	N/A	10.559	0	15,259
<b>Total CFDA # 10.559 (Child Nutrition Cluster)</b>			<b>0</b>	<b>60,788</b>
Passed-Through the MN Department of Human Services Food Support Outreach	163843	10.580	0	169,349
<b>U.S. Department of Housing and Urban Development</b>				
Continuum of Care Supportive Housing	MN0434L5K061901 MN0410 15 k061902 MN0255L5K061908 MN0255L5K061807 MN0410L5K061801 MN0434L5K061800	14.267	0	192,533
Passed-Through the Inter County Community Council Continuum of Care Supportive Housing	MN0442Y5K061700	14.267	0	27,778
<b>Total CFDA # 14.267</b>			<b>0</b>	<b>220,311</b>
<b>U.S. Department of Transportation</b>				
Passed-Through MN Department of Transportation COVID - 19 Formula Grants for Other Than Urbanized Areas	1035603	20.509	0	1,289,824
Formula Grants for Other Than Urbanized Areas	1035603		0	112,706
<b>Total CFDA # 20.509</b>			<b>0</b>	<b>1,402,530</b>
<b>U.S. Department of Treasury</b>				
Passed-Through MN Housing Finance Agency COVID - 19 Housing Assistance	96721808	21.019	0	643,678
<b>U.S. Department of Education</b>				
Passed-Through ND Department of Public Instruction Migrant Education	F84011-A	84.011	0	21,338
Passed-Through the MN Department of Education Migrant Education	3335, 3336	84.011	0	603,153
<b>Total CFDA # 84.011</b>			<b>0</b>	<b>624,491</b>
<b>U.S. Department of Health and Human Services</b>				
Passed-Through MN Community Action P/S MNSure Consumer Assistance	N/A	93.525	0	20,706
Passed-Through MN Housing Finance Agency Temporary Assistance for Needy Families	N/A	93.558	0	148,239

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Schedule A Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	Federal CFDA Number	Sub-Recipient	Federal Expenditures
Passed-Through MN Department of Commerce Low-Income Home Energy Assistance	1563, 180032	93.568	<u>0</u>	<u>1,014,856</u>
Passed-Through MN Department of Human Services COVID - 19 Community Services Block Grant	179880	93.569	0	16,364
Community Services Block Grant	160096		0	61,180
<b>Total CFDA # 93.569</b>			<u>0</u>	<u>77,544</u>
<b>CCDF Cluster</b>				
Passed-Through MN Department of Human Services Child Care and Development Block Grant	131087	93.575	<u>0</u>	<u>162,052</u>
<b>Direct Grant</b>				
<b>Head Start Cluster</b>				
COVID - 19 Migrant Head Start	90CM009836	93.600	0	343,318
COVID - 19 Head Start	05CH010528		0	32,994
Migrant Head Start	90CM009836		0	11,364,273
Head Start	05CH010528		0	4,324,819
<b>Total Head Start Cluster</b>			<u>0</u>	<u>16,065,404</u>
Passed-Through MN Department of Human Services Child Care and Development Block Grant	127366	93.667	<u>0</u>	<u>395,875</u>
<b>Corporation for National and Community Services</b>				
<b>Foster Grandparent/Senior Companion Cluster</b>				
<b>Direct Grant</b>				
Foster Grandparent Program	20SFNMN002	94.011	<u>0</u>	<u>306,628</u>
	19SFNMN002			
	20SFND001			
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 0</u>	<u>\$ 21,559,785</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, 2020. 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.

#### NOTE 3 - State of Minnesota eHeat Payments

Included in CFDA #93.568 are client benefits paid by the state of Minnesota of \$703,505. 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. and Subsidiaries

## Schedule B Schedule of Program Activity Year Ended December 31, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/19	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/20
<b>ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE</b>												
<b>U.S. Department of Agriculture</b>												
10.558		Child & Adult Care Food Program	MN Dept. of Education	01/01/20-12/31/20	\$ 333,057	\$ 0	\$ 0	\$ 241,884	(\$ 241,884)	\$ 0	\$ 0	\$ 0
10.558		Child & Adult Care Food Program	ND Dept. of Public Instruction	01/01/20-12/31/20	6,878	0	0	5,450	( 5,450)	0	0	0
		<b>Subtotal 10.558</b>				<b>0</b>	<b>0</b>	<b>247,334</b>	<b>( 247,334)</b>	<b>0</b>	<b>0</b>	<b>0</b>
10.559		Summer Food Service Program	MN Dept. of Education	01/01/20-12/31/20	83,842	0	0	70,268	( 45,529)	0	0	0
10.559		Summer Food Service Program	ND Dept. of Public Instruction	01/01/20-12/31/20	22,601	0	0	18,667	( 15,259)	0	0	0
		<b>Subtotal 10.559</b>				<b>0</b>	<b>0</b>	<b>88,935</b>	<b>( 60,788)</b>	<b>0</b>	<b>0</b>	<b>0</b>
10.580	163843	Food Support Outreach	MN Dept. of Human Services	10/01/20-09/30/21	206,940	0	39,800	0	( 39,800)	0	0	0
10.580	163843	Food Support Outreach	MN Dept. of Human Services	10/01/19-09/30/20	208,942	0	129,549	0	( 129,549)	0	0	0
		<b>Subtotal 10.580</b>				<b>0</b>	<b>169,349</b>	<b>0</b>	<b>( 169,349)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>U.S. Department HUD</b>												
14.267	MN0434L5K061901	Contunuum of Care DVRRH	US Dept of HUD	06/01/20-05/31/21	50,600	0	27,965	0	( 27,965)	0	0	0
14.267	MN0410 15 k061902	Contunuum of Care PLM	US Dept of HUD	09/01/20-08/31/21	36,217	0	8,567	0	( 8,567)	0	0	0
14.267	MN0255L5K061908	Contunuum of Care PSH	US Dept of HUD	12/01/20-11/30/21	129,806	0	16,850	0	( 16,850)	0	0	0
14.267	MN0255L5K061807	Contunuum of Care PSH	US Dept of HUD	12/01/19-11/30/20	138,146	0	100,454	0	( 100,454)	0	0	0
14.267	MN0410L5K061801	Contunuum of Care PLM	US Dept of HUD	09/01/19-08/31/20	36,217	0	18,029	0	( 18,029)	0	0	0
14.267	MN0434L5K061800	Contunuum of Care DVRRH	US Dept of HUD	04/16/19-04/15/20	53,528	0	20,668	0	( 20,668)	0	0	0
14.267	MN0442Y5K061700	Youth Homeless	Inter County Community Council	10/09/19-09/30/20	30,518	0	27,778	0	( 27,778)	0	0	0
		<b>Subtotal 14.267</b>				<b>0</b>	<b>220,311</b>	<b>0</b>	<b>( 220,311)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>U.S. Department of Transportation</b>												
20.509	1026737	Transportation	MN Dept. of Transportation	01/01/18-12/31/18	2,302,650	129,903	0	0	0	0	0	129,903
20.509	1032538	Transportation	MN Dept. of Transportation	01/01/19-12/31/19	2,668,550	0	4,137	0	0	( 961,989)	0	0
20.509	1035603	Transportation	MN Dept. of Transportation	01/01/20-12/31/21	5,907,875	0	3,051,331	295,702	( 2,628,247)	0	961,132	701,581
		<b>Subtotal 20.509 *</b>				<b>129,903</b>	<b>3,055,468</b>	<b>295,702</b>	<b>( 2,628,247)</b>	<b>0</b>	<b>( 857)</b>	<b>831,484</b>
<b>U.S. Department of Treasury</b>												
21.019	96721808	COVID Housing Assistance Prog	MN Housing Finance Agency	08/15/20-03/15/21	1,125,580	0	720,537	0	( 643,678)	0	0	76,859
		<b>Subtotal 21.019</b>				<b>0</b>	<b>720,537</b>	<b>0</b>	<b>( 643,678)</b>	<b>0</b>	<b>0</b>	<b>76,859</b>
<b>U.S. Department of Education</b>												
84.011	3335	Migrant Education-State	MN Dept. of Education	07/01/20-06/30/21	640,292	0	258,968	0	( 258,968)	0	0	0
84.011	3335	Migrant Education-State	MN Dept. of Education	07/01/19-06/30/20	635,000	0	321,561	0	( 321,561)	0	0	0
84.011	3336	Migrant Education-State	MN Dept. of Education	07/01/19-06/30/20	110,000	0	22,624	0	( 22,624)	0	0	0
84.011	F84011-A	Migrant Education-State	ND Dept. of Public Instruction	06/01/20-12/15/20	21,338	0	21,338	0	( 21,338)	0	0	0
		<b>Subtotal 84.011</b>				<b>0</b>	<b>624,491</b>	<b>0</b>	<b>( 624,491)</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Program has commingled federal and state funding.

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Schedule B Schedule of Program Activity Year Ended December 31, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/19	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/20
<b>U.S. Department of Health and Human Services</b>												
93.525	N/A	MNSure Consumer Assistance	MN Community Action P/S	07/01/19-06/30/20	27,206	0	15,505	0 (	15,505)	0	0	0
93.525	N/A	MNSure Consumer Assistance	MN Community Action P/S	07/01/20-06/30/21	14,793	0	5,201	0 (	5,201)	0	0	0
		<b>Subtotal 93.525</b>				<b>0</b>	<b>20,706</b>	<b>0 (</b>	<b>20,706)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.558	N/A	FHPAP	MHFA	07/01/19-09/30/21	416,852	46,479	195,579	0 (	148,239)	0	0	93,819
		<b>Subtotal 93.558</b>				<b>46,479</b>	<b>195,579</b>	<b>0 (</b>	<b>148,239)</b>	<b>0</b>	<b>0</b>	<b>93,819</b>
93.568	180032	EAP	MN Dept. of Commerce	10/01/20-09/30/21	211,277	0	37,235	0 (	37,235)	0	0	0
93.568	1563	EAP	MN Dept. of Commerce	10/01/19-09/30/20	307,414	0	274,116	0 (	274,116)	0	0	0
93.568	N/A	EAP eHeat Payments	MN Dept. of Commerce	01/01/17-12/31/17	N/A	0	703,505	0 (	703,505)	0	0	0
		<b>Subtotal 93.568</b>				<b>0</b>	<b>1,014,856</b>	<b>0 (</b>	<b>1,014,856)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.569	160096	CSBG 20	MN Dept. of Human Svcs.	10/01/19-12/31/21	73,793	0	61,180	0 (	61,180)	0	0	0
93.569	179880	CSBG CARES	MN Dept. of Human Svcs.	07/21/20-09/30/22	112,515	0	16,364	0 (	16,364)	0	0	0
		<b>Subtotal 93.569</b>				<b>0</b>	<b>77,544</b>	<b>0 (</b>	<b>77,544)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.575	131087	Child Care Aware	MN Dept. of Human Svcs.	07/01/19-06/30/20	162,187	0	90,257	0 (	90,257)	0	0	0
93.575	131087	Child Care Aware	MN Dept. of Human Svcs.	07/01/20-06/30/21	162,187	0	71,795	46 (	71,841)	0	0	0
		<b>Subtotal 93.575</b>				<b>0</b>	<b>162,052</b>	<b>46 (</b>	<b>162,098)</b>	<b>0</b>	<b>0</b>	<b>0</b>
93.600	90CM009836/02	Migrant Head Start 20-21	U.S. Dept. of H.H.S.	04/01/20-03/31/21	9,857,998	0	7,482,666	671,968 (	8,154,634)	0	0	0
93.600	90CM009836/02	Migrant Early Head Start 20-21	U.S. Dept. of H.H.S.	04/01/20-03/31/21	1,655,917	0	1,197,986	11,646 (	2,628,361)	0	1,548,159	129,430
93.600	05CH010528/03	Head Start 20-21	U.S. Dept. of H.H.S.	05/01/20-04/30/21	2,177,877	0	1,079,905	309,345 (	1,286,087)	0	0	103,163
93.600	05CH010528/03	Early Head Start 20-21	U.S. Dept. of H.H.S.	05/01/20-04/30/21	1,280,779	0	1,134,055	0 (	1,290,540)	0	174,106	17,621
93.600	90CM009836/01	Migrant Head Start 19-20	U.S. Dept. of H.H.S.	07/01/19-03/31/20	6,723,882	0	2,215,623	5,118 (	2,833,095)	0	612,354	0
93.600	90CM009836/01	Migrant Early Head Start 19-20	U.S. Dept. of H.H.S.	07/01/19-03/31/20	1,591,137	160,185	780,561	2,268 (	544,515)	0 (	398,499)	0
93.600	05CH010528/02	Head Start 19-20	U.S. Dept. of H.H.S.	05/01/19-04/30/20	1,872,405	0	1,052,410	154,912 (	1,207,322)	0	0	0
93.600	05CH010528/02	Early Head Start 19-20	U.S. Dept. of H.H.S.	05/01/19-04/30/20	2,525,509	0	1,212,227	280,996 (	1,633,537)	0	140,314	0
		<b>Subtotal 93.600</b>				<b>160,185</b>	<b>16,155,433</b>	<b>1,436,253 (</b>	<b>19,578,091)</b>	<b>0</b>	<b>2,076,434</b>	<b>250,214</b>
93.667	127366	Migrant Child Care	MN Dept. of Human Svcs.	07/01/19-06/30/20	439,727	0	159,959	0 (	159,959)	0	0	0
93.667	127366	Migrant Child Care	MN Dept. of Human Svcs.	07/01/20-06/30/21	438,823	0	235,916	0 (	235,916)	0	0	0
		<b>Subtotal 93.667</b>				<b>0</b>	<b>395,875</b>	<b>0 (</b>	<b>395,875)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporation for National and Community Services</b>												
94.011	19SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/20-06/30/21	290,095	0	145,256	0 (	145,256)	0	0	0
94.011	20SFNMN002	Foster Grandparent	Corporation for National and Community Services	07/01/19-06/30/20	269,652	0	129,367	10,089 (	139,456)	0	0	0
94.011	20SFND001	Foster Grandparent	Corporation for National and Community Services	07/01/20-06/30/21	307,062	0	32,005	0 (	32,005)	0	0	0
		<b>Subtotal 94.011</b>				<b>0</b>	<b>306,628</b>	<b>10,089 (</b>	<b>316,717)</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>Total Federal Programs</b>				<b>336,567</b>	<b>23,118,829</b>	<b>2,078,359 (</b>	<b>26,308,324)</b>	<b>0</b>	<b>2,075,577</b>	<b>1,252,376</b>

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Schedule B Schedule of Program Activity Year Ended December 31, 2020

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Unapplied Grant Funds 12/31/19	Current Grant Revenue	Other Revenue	Expenses	Repaid/Deobligated	Transfers	Unapplied Grant Funds 12/31/20
<b>OTHER STATE AND LOCAL PROGRAMS</b>												
N/A		FGP United Way	United Way	07/01/01-12/31/20	16,972	4,600	2,000	0 (	1,254)	0	0	5,346
N/A		CAP United Way	United Way	05/01/19-04/30/20	5,800	2,819		0 (	2,819)	0	0	0
N/A		Farm to Early Care	University of MN Extension	08/01/19-11/30/20	15,800	0	1,301	0 (	1,301)	0	0	0
N/A	127539	Transitional Housing	MN Dept. of Human Services	07/01/19-06/30/21	95,000	201	28,197	0 (	28,398)	0	0	0
N/A	160096	MCAG	MN Dept. of Human Services	07/01/20-06/30/21	45,856	0	18,201	0 (	18,201)	0	0	0
N/A	160096	MCAG	MN Dept. of Human Services	07/01/19-06/30/20	45,856	0	28,872	0 (	28,872)	0	0	0
N/A		MNSure	MN Dept. of Human Services	03/01/16-12/31/19	0	0	0	2,520 (	1,203)	0	0	0
N/A		NW Comm Action CCA	NW Comm Action Agency	01/01/20-12/31/20	7,000	0	7,000	0	0	0	0	7,000
N/A	FGP-SFY 2020	MN Foster Grandparent	MN Board on Aging	07/01/19-06/30/20	114,781	0	69,398	4,623 (	74,021)	0	0	0
N/A	179304	MN Foster Grandparent	MN Board on Aging	07/01/20-06/30/21	114,781	0	37,654	1,186 (	38,840)	0	0	0
N/A	5198	MN Migrant EHS	MN Dept. of Education	07/01/20-06/30/21	1,625,284	0	1,207,006	0 (	1,207,006)	0	0	0
N/A	4834	MN Migrant EHS	MN Dept. of Education	07/01/19-06/30/20	1,652,542	0	555,009	0 (	555,009)	0	0	0
N/A	5199	MN Early Head Start	MN Dept. of Education	07/01/20-06/30/21	316,064	0	174,107	0 (	174,107)	0	0	0
N/A	4835	MN Early Head Start	MN Dept. of Education	07/01/19-06/30/20	333,702	0	140,314	0 (	140,314)	0	0	0
N/A	MRA20252	Bridges Rent Assistance	MHFA	07/01/19-06/30/21	144,950	0	83,642	0 (	83,642)	0	0	0
N/A		Supportive Services	Mahube Community Council	01/01/20-12/31/21	212,300	0	91,704	0 (	91,704)	0	0	0
N/A		Bremer 211	Bremer Foundation	03/01/08-12/31/20	110,000	26,448	0	0	0	0	0	26,448
N/A		Farmworkers' Pndemic Relief Fund	Hispanics In Philanthropy	12/01/20-04/01/21	25,000	0	25,000	0	0	0	0	25,000
N/A	1035940	Transportation Capital-Computer/Office	MN Dept. of Transportation	02/01/20-06/30/21	12,160	0	12,160	4,253 (	16,413)	0	0	0
N/A	1033798	Transportation Capital-Renovation	MN Dept. of Transportation	05/07/19-12/31/20	62,000	0	46,467	11,617 (	58,084)	0	0	0
N/A		Pathway I	MN Dept. of Education	07/01/17-06/30/20	1,225,577	0	48,904	0 (	48,904)	0	0	0
N/A		Pathway I	MN Dept. of Education	07/01/19-06/30/20	676,344	28,516	317,347	0 (	303,277)	0	0	42,586
N/A		Pathway I	MN Dept. of Education	07/01/20-06/30/21	676,344	0	111,176	0 (	111,176)	0	0	0
N/A		Pathway II	MN Dept. of Education	07/01/20-06/30/21	262,500	0	164,125	0 (	144,382)	0	0	19,743
N/A		Pathway II	MN Dept. of Education	07/01/19-06/30/20	262,500	67,172	74,972	0 (	142,144)	0	0	0
N/A		Northern Dental Insurance Counseling	Northern Dental Access	09/01/20-04/30/21	9,000	0	0	9,000 (	3,071)	0	0	0
N/A	10330	Youth Homeless	Inter-County Community Council	06/11/20-10/31/21	20,350	0	6,985	0 (	6,985)	0	0	0
N/A		Polk County CARES	Polk County	09/10/20-11/30/20	100,000	0	100,000	0 (	100,000)	0	0	0
N/A		System of Care Family Partners	Norman County	10/08/19-09/30/21	426,200	0	115,064	0 (	112,292)	0	0	0
<b>Subtotal Other State and Local Programs</b>						<b>129,756</b>	<b>3,466,605</b>	<b>33,199 (</b>	<b>3,493,419)</b>	<b>0</b>	<b>0</b>	<b>126,123</b>
<b>TOTALS</b>						<b>\$ 466,323</b>	<b>\$ 26,585,434</b>	<b>\$ 2,111,558 (</b>	<b>\$ 29,801,743)</b>	<b>\$ 0</b>	<b>\$ 2,075,577</b>	<b>\$ 1,378,499</b>

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

## Consolidating Statement of Financial Position

December 31, 2020

<i>Assets</i>	TVOC	Fisher Townhomes	Crookston Townhomes	Agassiz Townhomes	Subtotals	Eliminations	Totals
Current assets:							
Cash	\$ 4,244,030	\$ 13,757	\$ 409,698	\$ 186,817	\$ 4,854,302	\$ 0	\$ 4,854,302
Grants receivable	1,074,398	0	0	0	1,074,398	0	1,074,398
Accounts receivable	674,489	4,413	2,123	107,522	788,547	( 275,606)	512,941
Revolving loans receivable, current portion	35,070	0	0	0	35,070	0	35,070
Homes held for sale	200,000	0	0	0	200,000	0	200,000
Prepaid expenses	80,002	0	0	0	80,002	0	80,002
Total current assets	6,307,989	18,170	411,821	294,339	7,032,319	( 275,606)	6,756,713
Other assets:							
Investment in partnership	239,141	0	0	0	239,141	( 239,141)	0
Development fee receivable	56,663	0	0	0	56,663	( 56,663)	0
Long-term revolving loans receivable	107,020	0	0	0	107,020	0	107,020
Total other assets	402,824	0	0	0	402,824	( 295,804)	107,020
Property and equipment, net	6,559,621	377,545	1,266,141	6,330,289	14,533,596	0	14,533,596
<b>TOTAL ASSETS</b>	<b>\$ 13,270,434</b>	<b>\$ 395,715</b>	<b>\$ 1,677,962</b>	<b>\$ 6,624,628</b>	<b>\$ 21,968,739</b>	<b>(\$ 571,410)</b>	<b>\$ 21,397,329</b>
<i>Liabilities and Net Assets</i>							
Current liabilities:							
Current maturities of notes payable and capital lease	\$ 116,301	\$ 149,999	\$ 18,939	\$ 7,713	\$ 292,952	\$ 0	\$ 292,952
Current maturities of forgivable notes payable	5,000	0	0	0	5,000	0	5,000
Accounts payable	300,227	107,020	82,305	86,089	575,641	( 174,803)	400,838
Accrued payroll and related expenses	938,090	0	0	0	938,090	0	938,090
Deferred obligation	79,168	0	0	0	79,168	0	79,168
Refundable advances	1,378,070	0	0	0	1,378,070	0	1,378,070
Total current liabilities	2,816,856	257,019	101,244	93,802	3,268,921	( 174,803)	3,094,118
Long-term liabilities:							
Notes payable and capital lease payable	264,983	315,812	1,010,333	991,004	2,582,132	( 100,000)	2,482,132
Accrued interest	506	71,105	142,412	803	214,826	( 803)	214,023
Development fee payable	0	0	0	56,663	56,663	( 56,663)	0
Forgivable notes payable	40,000	0	0	0	40,000	0	40,000
Total long-term liabilities	305,489	386,917	1,152,745	1,048,470	2,893,621	( 157,466)	2,736,155
Total liabilities	3,122,345	643,936	1,253,989	1,142,272	6,162,542	( 332,269)	5,830,273
Net assets:							
Without donor restrictions	3,182,625	( 248,221)	423,973	239,141	3,597,518	( 239,141)	3,358,377
Without donor restrictions - grant funded property	5,717,053	0	0	0	5,717,053	0	5,717,053
Without donor restrictions - attributable to noncontrolling interest	0	0	0	5,243,215	5,243,215	0	5,243,215
Total net assets without donor restrictions	8,899,678	( 248,221)	423,973	5,482,356	14,557,786	( 239,141)	14,318,645
Net assets with donor restrictions	1,248,411	0	0	0	1,248,411	0	1,248,411
Total net assets	10,148,089	( 248,221)	423,973	5,482,356	15,806,197	( 239,141)	15,567,056
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,270,434</b>	<b>\$ 395,715</b>	<b>\$ 1,677,962</b>	<b>\$ 6,624,628</b>	<b>\$ 21,968,739</b>	<b>(\$ 571,410)</b>	<b>\$ 21,397,329</b>

# Tri-Valley Opportunity Council, Inc. and Subsidiaries

Consolidating Statement of Revenue and Expenditures  
Year Ended December 31, 2020

	Without Donor Restriction						Total Without Donor Restriction	With Donor Restriction	Totals
	TVOC	Fisher Townhomes	Crookston Townhomes	Agassiz Townhomes	Elimination				
Revenue:									
Grant revenue	\$ 24,969,750	\$ 0	\$ 0	\$ 0	\$ 0		24,969,750	\$ 0	\$ 24,969,750
Program contributions	346,604	0	0	0	0		346,604	58,461	405,065
Contracted services	856,867	0	0	0	0		856,867	0	856,867
Tenant rents	183,455	67,795	239,797	249,748	0		740,795	0	740,795
Interest income	13,506	1	677	55	( 803)		13,436	0	13,436
In-kind contributions	887,608	0	0	0	0		887,608	0	887,608
Other income	221,186	10,074	104,910	20,876	( 64,982)		292,064	0	292,064
Net assets released from restriction	0	0	0	0	0		0	0	0
<b>Total revenue</b>	<b>27,413,191</b>	<b>77,870</b>	<b>345,384</b>	<b>270,679</b>	<b>( 65,785)</b>		<b>28,107,124</b>	<b>58,461</b>	<b>28,165,585</b>
Operating expenses:									
Salaries and wages	13,254,121	0	0	0	0		13,254,121	0	13,254,121
Fringe benefits	3,467,828	0	0	0	0		3,467,828	0	3,467,828
Consultants/contracted labor	1,758,939	7,169	28,358	39,841	0		1,834,307	0	1,834,307
Travel/transportation	434,684	0	0	0	0		434,684	0	434,684
Occupancy	910,349	40,210	71,955	129,990	0		1,152,504	0	1,152,504
Supplies	1,836,291	287	647	0	0		1,837,225	0	1,837,225
Repairs and maintenance	424,072	22,229	88,579	45,350	0		580,230	0	580,230
Communications	227,541	0	0	1,132	0		228,673	0	228,673
Beneficiary assistance	1,466,414	0	0	0	0		1,466,414	0	1,466,414
Depreciation	924,918	15,133	50,333	207,339	0		1,197,723	0	1,197,723
Other	481,064	8,143	94,677	27,888	( 65,803)		545,969	0	545,969
In-kind expenses	887,608	0	0	0	0		887,608	0	887,608
<b>Total operating expenses</b>	<b>26,073,829</b>	<b>93,171</b>	<b>334,549</b>	<b>451,540</b>	<b>( 65,803)</b>		<b>26,887,286</b>	<b>0</b>	<b>26,887,286</b>
Change in net assets	1,339,362	( 15,301)	10,835	( 180,861)	18		1,219,838	58,461	1,278,299
Agassiz capital contribution by Limited Partner	0	0	0	348,935	0		348,935	0	348,935
Agassiz capital contribution by General Partner	0	0	0	64,289	( 64,289)		0	0	0
Net assets - Beginning of year	7,494,531	( 232,920)	413,138	5,249,993	( 174,870)		12,749,872	1,189,950	13,939,822
<b>Net assets - End of year</b>	<b>\$ 8,833,893</b>	<b>(\$ 248,221)</b>	<b>\$ 423,973</b>	<b>\$ 5,482,356</b>	<b>(\$ 239,141)</b>		<b>\$ 14,318,645</b>	<b>\$ 1,248,411</b>	<b>\$ 15,567,056</b>

## **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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year ended December 31, 2020, and the related notes to the consolidated financial statements and have issued our report thereon dated April 14, 2021. The financial statements of Fisher Townhomes, LLC, Fisher Townhomes, LP, Crookston Townhomes, LLC and Crookston Townhomes, LP, Agassiz Townhomes, LLC, and Agassiz Townhomes LP were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

### **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”) as a basis for designing 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

April 14, 2021  
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, 2020. 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 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 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, 2020.



## 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 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

April 14, 2021  
Madison, Wisconsin

# Tri-Valley Opportunity Council, Inc.

## Schedule of Findings and Questioned Costs

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### 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 Cluster	93.600
COVID 19 Housing Assistance Program	21.019
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 Statement Audit

None

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

None

### Section IV. Findings and Questioned Costs - Prior Year

None