

**United Community Action
Partnership, Inc.**

Marshall, Minnesota

Financial Statements and Supplementary
Information

Year Ended September 30, 2019



United Community Action Partnership, Inc.

Financial Statements and Supplementary Information
Year Ended September 30, 2019

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Independent Auditor's Report

To the Board of Directors
United Community Action Partnership, Inc.
Marshall, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of United Community Action Partnership, Inc. (“the Agency”) which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of United Community Action Partnership, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Agency adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2020, on our consideration of United Community Action Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance..

BergankDV, Ltd.

St. Cloud, Minnesota
February 27, 2020

United Community Action Partnership, Inc.

Statement of Financial Position

September 30, 2019

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 2,905,868
Restricted cash - unemployment insurance	151,216
Restricted cash - construction draw account	1,058,419
Certificate of deposit, at cost	76,095
Short-term investments	8,444
Grants and accounts receivable	2,067,307
Current portion of land contracts receivable	99,258
Thrift store inventory	22,852
Donated vehicle inventory	12,267
MURL home inventory (less discount allowance)	271,399
Donated food inventory	20,010
Single family homes inventory	426,597
Prepaid expenses	245,731
Total current assets	7,365,463
Property and equipment, net	3,852,694
Noncurrent assets:	
Certificate of deposit, at cost	102,244
Land contracts receivable, net	827,320
Total noncurrent assets	929,564
TOTAL ASSETS	\$ 12,147,721
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of note payable	\$ 599,953
Accounts payable and other liabilities	1,060,729
Funds held for other agencies - fiscal agent	51,193
Accrued payroll and related expenses	566,425
Accrued vacation	665,128
Grant funds received in advance	412,611
Total current liabilities	3,356,039
Long-term liabilities:	
Notes payable, net	1,514,146
Total liabilities	4,870,185
Net assets:	
Net assets without donor restrictions	6,884,996
Net assets with donor restrictions	392,540
Total net assets	7,277,536
TOTAL LIABILITIES AND NET ASSETS	\$ 12,147,721

See notes to financial statements.

United Community Action Partnership, Inc.

Statement of Activities

Year Ended September 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue:			
Grant revenue	\$ 15,841,622	\$ 75,750	\$ 15,917,372
Program income	977,393	5,966	983,359
Contract revenue	702,578	-	702,578
Capital purchase revenue	175,906	-	175,906
Donations	7,422	196,416	203,838
Fundraising	23,937	3,500	27,437
Interest income	2,636	-	2,636
In-kind contributions	746,400	497,850	1,244,250
Gain on sale of property and equipment	2,337	-	2,337
Other revenue	110,751	-	110,751
Net assets released from restriction through satisfaction of program restrictions	844,008	(844,008)	-
Total revenue	19,434,990	(64,526)	19,370,464
Expenses:			
Program services			
Head Start	5,933,581	-	5,933,581
Transportation	4,237,324	-	4,237,324
Community Service and Family Development	3,175,165	-	3,175,165
Housing and Rehabilitation	1,261,772	-	1,261,772
Weatherization and Energy Assistance	2,180,932	-	2,180,932
Food Programs	784,369	-	784,369
Other Programs	86,676	-	86,676
Supporting services			
Management and general	1,508,653	-	1,508,653
Fundraising	14,700	-	14,700
Total expenses	19,183,172	-	19,183,172
Change in net assets	251,818	(64,526)	187,292
Net assets - beginning of the year	6,633,178	457,066	7,090,244
Net assets - end of the year	\$ 6,884,996	\$ 392,540	\$ 7,277,536

See notes to financial statements.

United Community Action Partnership, Inc.

Statement of Functional Expense

Year Ended September 30, 2019

	Program Services							Supporting Services			
	Head Start	Transportation	Community Service and Family Development	Housing and Rehabilitation	Weatherization and Energy Assistance	Food Programs	Other Programs	Total	Management and General	Fundraising	Total
Expenses:											
Salaries and wages	\$ 3,927,781	\$ 2,598,498	\$ 1,627,234	\$ 263,567	\$ 555,791	\$ 75,184	\$ 32,006	\$ 9,080,061	\$ 1,184,442	\$ 9,691	\$ 10,274,194
Contracted services	121,082	60,009	58,980	10,944	79,415	2,700	553	333,683	119,806	1,440	454,929
Space rent and utilities	262,711	139,168	100,193	35,427	29,415	30,794	4,177	601,885	26,793	60	628,738
Training, meeting, travel	182,195	50,777	98,145	10,879	35,749	3,494	4,746	385,985	39,751	1,412	427,148
Depreciation	100,154	371,229	18,317	11,771	15,810	14,183	44,914	576,378	6,059	-	582,437
Supplies and communication	321,152	92,931	146,549	11,177	63,951	23,962	201	659,923	70,511	1,365	731,799
Vehicle expenses	36,190	472,449	22,841	71	5,992	1,955	44	539,542	21,464	-	561,006
Direct participant benefits	259,851	408,604	1,085,658	915,094	1,377,259	603,673	35	4,650,174	-	-	4,650,174
In-kind expenses	660,270	-	-	-	-	-	-	660,270	-	-	660,270
Other Expense	62,195	43,659	17,248	2,842	17,550	28,424	-	171,918	39,827	732	212,477
Total expenses	\$ 5,933,581	\$ 4,237,324	\$ 3,175,165	\$ 1,261,772	\$ 2,180,932	\$ 784,369	\$ 86,676	\$ 17,659,819	\$ 1,508,653	\$ 14,700	\$ 19,183,172

⁵ See notes to financial statements.

United Community Action Partnership, Inc.

Statement of Cash Flows

Year Ended September 30, 2019

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	\$ 187,292
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	582,437
Net gain of sale of property and equipment	(2,337)
Donated vehicle inventory	3,658
Donated food inventory	18,091
Change in discount on land contracts receivable	(136,278)
Write down of MURL home inventory	(16,193)
Changes in operating assets and liabilities:	
Grants and accounts receivable	810,083
Thrift store inventory	1,372
Murl home inventory	(20,025)
Prepaid expenses	1,671
Accounts payable and other liabilities	116,136
Funds held for other agencies - fiscal agent	(6,218)
Accrued payroll and related expenses	(4,420)
Accrued vacation	26,875
Grant funds received in advance	98,148
Net cash - operating activities	1,660,292
Cash flows from investing activities:	
Purchases of property and equipment	(683,714)
Purchases of and reinvested earnings on investments and certificates of deposit	(288)
Payments received on land contracts receivable	110,707
Net cash - investing activities	(573,295)
Cash flows from financing activities:	
Principal payments on notes payable	(145,654)
Debt issuance costs	(126,087)
Principal payments on capital lease payable	(2,625)
Proceeds on notes payable	1,227,913
Net cash - financing activities	953,547
Change in cash and cash equivalents	2,040,544
Cash and cash equivalents at beginning of the year	2,074,959
Cash and cash equivalents at end of the year	\$ 4,115,503
Cash and cash equivalents	\$ 2,905,868
Restricted cash	1,209,635
Total	\$ 4,115,503
Supplemental Cash Flow Information	
Interest paid	\$ 40,852

See accompanying notes to financial statements.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Organization and Significant Accounting Policies

Nature of Operations

United Community Action Partnership, Inc. was established under the Federal Economic Opportunity Act of 1964 (the "Agency"). The Act empowers community action agencies to address the causes and conditions of poverty at the local level. The Agency operates with a combination of federal, state, and local funding.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America (U.S. GAAP).

Classification of Net Assets

Net assets and revenue, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

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

Presentation of Sales Tax

The Agency collects sales tax from customers and remits the entire amount to the appropriate state for thrift store sales. The Agency's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Organization and Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are recorded as either contributions or exchange transactions based on criteria contained in the grant award. Grants that qualify as contributions follow contribution recognition policies. Grants that are exchange transactions are recognized as revenue in the accounting period when the related allowable expenses are incurred. Grant funds drawn in excess of the related grant expenses are treated as deferred revenue. Grant expenses in excess of the related grant funds drawn are treated as grants receivable.

Program income is recognized as a supplement or funds committed to a project by the federal or other awarding agency which are used to support related project or program objectives. Program income is recorded in the accounting period that the service is performed or the condition met. Public transit bus services revenue is based on the criteria for services performed. Public transit bus service revenue consists of fare box contributions, service contracts, and related miscellaneous revenue.

Contracts revenue is based on providing services for a contractual price. Contracts revenues are recorded in the accounting period the service is provided. Revenue is recognized and any delinquent receivables are written off.

In-Kind Contributions

The Agency has recorded in-kind contributions for space, donated materials, and professional services in the statement of activities in accordance with U.S. GAAP, 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. U.S. GAAP requirements are different than the in-kind requirements of several of the Agency's grant awards. The Agency recognized \$29,297 of contributed services for the Head Start program in 2019. The Agency received contributions of nonprofessional volunteers during the period with an estimated value of \$197,459 primarily for its Head Start program, which are not recorded in the statement of activities.

The Agency recognized \$593,365 of donated goods which includes food shelve donations as well as donated space in the amount of \$621,588.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Organization and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Agency considers cash all financial instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Restricted Cash – Construction Draw Account

The Agency has established a FDIC insured (which is secured by pledged securities) depository account as a separate, special, segregated and irrevocable cash collateral account which will be maintained at all times until termination of the related agreements.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Management determined no allowance was needed as of September 30, 2019.

Land Contracts Receivable and MURL Home Inventory

The Agency received funding from the Minnesota Housing Finance Agency (MHFA) for the Minnesota Urban and Rural Housing Program (MURL). The program provides funding for the acquisition and rehabilitation of single-family homes. The purchase and rehabilitation of homes are recorded as inventory. The homes are sold on the basis of no-interest installment loans, and revenue is recognized for the sale price of the home. The inventory of homes not sold, if any, is recorded at the lower of cost or market. Any loans repaid are a reduction in land contracts receivable. The land contracts receivable have been discounted at the prevailing market rate at the inception of the mortgage. There is no allowance provided on these loans, since any uncollectible loan would be secured by the property (see Note 6 for further details).

Thrift Store Inventory

The inventory of the thrift stores consists of donated items that have been recorded at management's estimate of fair value.

Donated Vehicle Inventory

The donated vehicle inventory has been recorded at management's estimate of fair value based on blue book values.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Organization and Significant Accounting Policies (Continued)

MURL Home Inventory

The inventory of homes consists of the cost of land and property, less a discount allowance, which approximates fair value.

Donated Food Inventory

The inventory of the food shelves consists of donated items that have been recorded at management's estimate of fair value.

Single Family Homes Inventory

The Agency constructs quality affordable housing for income eligible homebuyers using funds financed with Minnesota Housing Finance Agency. Single family homes inventory is held for sale and is stated at the lower of cost or net realizable value. Cost is determined using the first in first out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets of 2 to 20 years. The Agency considers items with a cost greater than \$5,000 and a useful greater than one year to be property and equipment.

Property and equipment purchased with grant funds are owned by the Agency while used in the program for which they were 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 property and equipment purchased with grant funds are normally restricted for use in specific programs operated by the Agency.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has determined that no impairment existed at September 30, 2019.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Organization and Significant Accounting Policies (Continued)

Debt Issuance Costs

The Agency amortizes debt issuance costs over the term of the related debt instruments and follows ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires the Agency to present debt issuance costs in the statement of financial position as a direct deduction from the related debt liability rather than as an asset and the amortization of debt issuance costs is included in interest expense. Charges to interest expense related to amortization of debt issuance costs was \$0 for 2019.

Tax Status

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from Minnesota franchise and income taxes for related business activities.

The Agency is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Agency has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Cost Allocation

The Agency follows a cost allocation plan to allocate joint costs not directly attributable to specific programs. Joint costs are those costs incurred for the common benefit of all Agency programs that cannot be readily identified with a final cost objective. Joint costs are allocated to benefiting programs using the direct method allocation. The direct method allocates joint costs to each program based on its share of the allocation base.

Advertising Costs

The Agency's policy is to expense advertising costs as they are incurred. For 2019, the Agency incurred advertising costs totaling \$19,684.

Unemployment Insurance and Restricted Cash

The Agency reimburses the State of Minnesota for unemployment payments as allowed by the State of Minnesota statute. The Agency utilizes an outside vendor to manage claims and reimburse the State of Minnesota for actual unemployment claims paid. The Agency makes estimated quarterly payments from corporate funds to the outside vendor to cover estimated claims and to build a reserve for future unemployment claims. The amount of funds held by the outside vendor as of September 30, 2019 was \$151,216 and are shown as restricted cash.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Organization and Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-For-Profit Entities

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958), in its 2019 financial statements. This guidance reduces the net asset classification from three to two: net assets with and without donor restrictions; expands disclosures about liquidity; and requires expenses to be reported by their function and natural classification. The ASU has been adopted retrospectively. The adoption of this guidance did not have a material impact on the Agency's financial statements.

Recently Issued Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard will affect organizations that enter into contracts with customers and provides a five step process for determining when revenue should be recognized to match the transfer of goods or services. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Agency is currently evaluating the impact this standard will have on its financial statements.

Clarifying Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Early adoption is permitted. This update is effective for annual reporting periods beginning after December 15, 2018. The Agency is currently evaluating the impact of the adoption of this guidance on its financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In November 2019, the FASB issued ASU No. 2019-10 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Agency is currently evaluating the impact this standard will have on its financial statements.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 2 **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Cash and cash equivalents	\$ 2,905,868
Certificate of deposit, at cost	76,095
Short-term investment	8,444
Less funds financed for construction of single family homes	(227,650)
Less funds held for other agencies - fiscal agent	(51,193)
Less deferred revenue	(412,611)
Less net assets with donor restrictions	<u>(392,540)</u>
 Total financial assets available for general expenditures	 <u>\$ 1,906,413</u>

The Agency does not have a formal policy however it structures its financial assets to be available as its general expenditures, liabilities and other obligations as they come due. In addition, as part of its liquidity management, the Agency would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Agency also has access to a line of credit if needed (see Note 8).

Note 3 **Concentrations**

The Agency maintains cash balances at seven banks. The Agency's bank accounts are sometimes in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Bank account balances are insured by the FDIC up to \$250,000. To minimize the risk of cash balances, the Agency has elected to participate in a sweep account with one bank. The Agency sweeps cash daily into a repurchase agreement whereby the Agency owns a secured interest in securities sold by the bank. The securities, which consist of government bonds, had a fair value of \$2,668,203 at September 30, 2019.

Approximately 37% of the Agency's employees are members of the Minnesota Council 65, of the American Federation of State, County and Municipal Employees, AFL-CIO, Union #3444. The Agency's contract with the union is subject to renegotiation during 2020. The Agency's other employees are not represented by a union.

Federal grant revenue from the U.S Department of Health and Human Services for the Head Start program was approximately 22% of total revenue for the Agency during 2019.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 4 Grants Receivable

Federal programs	\$ 1,487,588
State programs	263,676
Other programs	316,043
<u>Total</u>	<u>\$ 2,067,307</u>

Note 5 Fair Value Measurements

The fair value measurements and disclosures topic of FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019.

Investments – Valued using quoted market prices.

Thrift store inventory – Valued using the market approach based on historical sale prices for similar items sold in the thrift store.

Donated food inventory – Valued using the market approach based on the prices of similar foods sold in Central Minnesota.

Donated vehicle inventory – Valued using the market approach based on the prices of similar vehicles sold in Central Minnesota.

Fair values of assets measured on a recurring basis are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2019				
Investment - growth and income	<u>\$ 8,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,444</u>

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 5 Fair Value Measurements (Continued)

Fair values of assets measured on a non-recurring basis are as follows:

	Level 1	Level 2	Level 3	Total
September 30, 2019				
Thrift store inventory	\$ -	\$ 22,852	\$ -	\$ 22,852
Donated food inventory	-	20,010	-	20,010
Donated vehicle inventory	-	12,267	-	12,267
	<u>\$ -</u>	<u>\$ 55,129</u>	<u>\$ -</u>	<u>\$ 55,129</u>

Note 6 Land Contracts Receivable

The Agency received funding from the MHFA for the MURL program as disclosed in Note 1. The program provides funding for the acquisition and rehabilitation of single-family homes. The rehabilitated homes are sold by the Agency to eligible homebuyers under a no-interest, installment loan basis. The monthly loan payment is set at the greatest of 10% of homebuyer's gross monthly income or 25% of their adjusted gross monthly income. The loan payment covers real estate tax and insurance escrow and the repayment of the loan. The duration of loans varies according to the amount of the loan and the amount of the monthly payments.

The Agency records land contracts receivable and other income from the sale of inventory upon the sale of the homes. The land contracts receivable at September 30, 2019, are as follows:

Land contracts receivable	\$ 1,196,083
Discounted at 5%	(269,505)
Land contracts receivable, net	926,578
Current portion	(99,258)
<u>Long-term portion</u>	<u>\$ 827,320</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. The discount is amortized over the life of the land contract.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 7 Property and Equipment

A summary of property and equipment as of September 30, 2019, is as follows:

Land	\$ 348,281
Buildings and building improvements	4,078,416
Equipment	4,205,363
Construction in progress	345,056
<hr/>	
Total	8,977,116
Accumulated depreciation	(5,124,422)
<hr/>	
Property and equipment, net	\$ 3,852,694

Note 8 Line of Credit

The Agency has a \$200,000 line of credit with a bank which expires August 2021. The line of credit is collateralized by the Agency's assets and interest is payable monthly on outstanding balances at an interest rate of 1.0% over the reference rate set by the lender and under no circumstances will the interest rate be less than 5%. At September 30, 2019, the effective rate on the line of credit was 6%. There were no outstanding borrowings on the line of credit at September 30, 2019.

Note 9 Notes Payable

The Agency notes payable at September 30, 2019, are as follows:

Note payable to Home State Bank at 4.0% annual interest, with monthly payments of \$2,422 (principal and interest). Interest rate is adjusted every five years starting December 2013. The loan matures in November 2023. The note is secured by real estate.	\$ 111,683
Note payable to Bremer Bank at a 5.5% interest with a monthly payment of \$1,763. The loan matures in September 2023. The note is secured by real estate.	75,503
Note payable to Southwest Minnesota Housing Partnership at 0% interest with a one-time payment due upon maturity on August 2049. The note is secured by real estate.	13,000
Note payable to Old National Bank (Senior Lender) at 3.11% interest with interest only monthly payments through March 1, 2020, then monthly payments of \$5,620. The loan matures on September 2039 with a balloon payment. The interest rate will be adjusted October 1, 2029, and October 1, 2034. The note is secured by real estate.	1,165,000
Less debt issuance costs	(113,432)

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 9 Notes Payable (Continued)

Note payable to Propel Nonprofits (Subordinate Lender) at 5.5% interest with interest only monthly payments through February 29, 2020, then monthly payments of \$5,714. The loan matures September 2024 with a balloon payment. The note is secured by real estate.	300,000
Less debt issuance costs	(10,878)
Note payable to First Children's Finance (Subordinate Lender) at 8.5% interest with monthly payments of \$1,187. The loan matures October 2026. The note is secured by real estate.	75,000
Less debt issuance costs	(1,777)
Note payable to Minnesota Housing Finance Agency at 4.75% interest with a one-time payment due upon maturity. The loan matures the earlier of June 2021 or 90 days after the final qualified dwelling unit of the project is conveyed to an owner-occupant household.	500,000
Total	2,114,099
<u>Current portion</u>	<u>(599,953)</u>
<u>Long-term note payable</u>	<u>\$ 1,514,146</u>

	<u>Principal</u>	<u>Deferred Debt Issuance Costs</u>	<u>Net</u>
2020	\$ 599,953	\$ (9,992)	\$ 589,961
2021	140,896	(9,992)	130,904
2022	147,936	(9,992)	137,944
2023	155,153	(9,992)	145,161
2024	143,049	(9,992)	133,057
Thereafter	<u>1,053,199</u>	<u>(76,127)</u>	<u>977,072</u>
Total	<u>\$ 2,240,186</u>	<u>\$ (126,087)</u>	<u>\$ 2,114,099</u>

In connection with the some of the Agency's note payable agreements, the Agency has agreed to certain covenants. For 2019, the Agency was not aware of any covenant violations.

The notes payable with Propel Nonprofits and First Children's Finance are subordinate loans and are included in a *Pari Passu* Intercreditor Agreement with the Agency.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 10 Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

Food Shelves	\$	162,670
FAIM		2,489
Refuge		104,234
Horizon Mountain Lake		3,142
Helping People Get There		12,267
Meeker Holiday Project		18,957
Crisis Fund		17,153
CFS Financial Empower		11,067
Safe Harbor		412
Coats for Kids		4,384
Angel Tree		9,153
CFS Help Hope Change		523
Baby Bundle		2,897
Emergency Needs		5,440
St Mary's Tithing		453
MAMA		2,191
ROFW		35,109
<u>Total</u>	\$	<u>392,540</u>

Net assets with donor restrictions were released for the following purposes:

Food Shelves	\$	766,815
Helping People Get There		18,534
St Mary's Tithing		15,326
Meeker Holiday Project		14,958
Help Hope Change		8,537
Coats for Kids		6,999
Emergency Needs		6,560
Other		6,279
<u>Total</u>	\$	<u>844,008</u>

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 11 Operating Lease Agreements

The Agency leases various facilities and equipment for operation of its programs. The operating lease payments for 2019, amounted to \$343,293

Future binding commitments on non-cancelable operating leases are as follows:

2020	\$ 199,257
2021	82,120
2022	73,320
2023	73,320
Thereafter	780,877
<hr/>	
Total	\$ 1,561,755

Note 12 Retirement Plan

The Agency has a savings plan for its employees under IRS Code Section 401(k). Eligible employees may contribute a portion of their wages to the plan up to the maximum allowed per IRS regulations. The Agency matches up to 5% of the employee's compensation. The employer's pension expense for 2019 was \$227,354.

Note 13 Program Operations

The Agency has a grant with the State of Minnesota, Department of Commerce for outreach, intake, eligibility, and certification of Low-Income Home Energy Assistance Program (LIHEAP)-eligible participants. Client benefits for LIHEAP-eligible participants are subsequently paid directly by the State of Minnesota. Client benefits in the amount of \$3,292,865 paid by the State of Minnesota are not included in the statement of activities because they were not part of the grant award.

Note 14 Matching Funds

Certain grants require securing matching funds from other sources. The Agency has met the matching fund requirements through September 30, 2019.

Note 15 Fiscal Agent Agreement

The Agency acts as the fiscal agent for the Cinco de Mayo Committee, Meeker Family & Friends Circles of Support, Meeker County Domestic Violence and HOMES during 2019. The Agency collected \$24,462 and disbursed \$17,973 on behalf of these entities.

United Community Action Partnership, Inc.

Notes to Financial Statements

Note 16 **Supplementary Cash Flow Information**

Noncash investing and financing activities:

At September 30, 2019, the Agency had \$104,292 of purchased construction in progress assets included in accounts payable.

During 2019, the Agency financed the construction of single-family homes assets totaling \$398,407 with notes payable, of which \$117,386 was included in accounts payable at year end.

During 2019, the Agency paid off notes payable totaling \$531,637 with funding received on new notes payable.

Note 17 **Commitments**

During 2019 the Agency contracted for the construction of a Head Start building in Marshall, Minnesota. At year-end the total outstanding commitments consisted of the following.

	<u>Project Authorization</u>	<u>Work Expended</u>	<u>9/30/2019 Commitment</u>
Contractor	\$ 4,428,000	\$ -	\$ 4,428,000
Architect	<u>211,000</u>	<u>136,025</u>	<u>74,975</u>
	<u>\$ 4,639,000</u>	<u>\$ 136,025</u>	<u>\$ 4,502,975</u>

Note 18 **Subsequent Events**

Subsequent events have been evaluated through Feb 27, 2020, which is the date the financial statements were available to be issued.

The Agency hired a new Executive Director, Debi Brandt, effective December 23, 2019. Debi has 35 years of progressive leadership experience with the Agency.

Supplementary Information

United Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/Program or Cluster Title	CFDA Number	Funding Source	Program Period	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF AGRICULTURE					
Child and Adult Food Program	10.558	State of Minnesota, Dept. of Education	10/01/18-09/30/19	193,846	-
SNAP Cluster:					
Supplemental Nutrition Assistance Program Outreach 2018-2019 GRK% 133149	10.561	State of Minnesota, Dept. of Human Services	10/01/18-09/30/19	164,591	-
Food Distribution Cluster:					
TEFAP - Donated Food	10.569	Second Harvest - St Paul Food Bank	10/01/18-09/30/19	86,130	-
Total Department of Agriculture				444,567	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Supportive Housing for Persons With Disabilities					
Country View Willmar HRA Supportive Housing 18-19	14.181	Kandiyohi County, MN HRA	04/01/18-03/31/19	9,439	
Country View Willmar HRA Supportive Housing 19-20		Kandiyohi County, MN HRA	04/01/19-03/31/20	6,792	
HUD Supportive Housing - Westwinds Townhomes - MN0185L5K111605		US Department of Housing and Urban Development	11/01/17-1031/18	14,293	
HUD Supportive Housing - Westwinds Townhomes - MN0185L5K111706		US Department of Housing and Urban Development	11/01/18-10/31/19	89,121	
HUD Supportive Housing - Safe At Home MN0187L5K111706		US Department of Housing and Urban Development	07/01/18-06/30/19	73,127	
HUD Supportive Housing - Safe At Home MN0187L5K111807		US Department of Housing and Urban Development	07/01/19-06/30/20	26,330	
HUD Supportive Housing - McLeod/Meeker MN0142L5K111707		US Department of Housing and Urban Development	08/01/18-07/31/19	29,920	
HUD Supportive Housing - Kandiyohi MN0146L5K111710		US Department of Housing and Urban Development	07/01/18-06/30/19	85,909	
HUD Supportive Housing - Kandiyohi MN0146L5K111811		US Department of Housing and Urban Development	07/01/19-06/30/20	39,299	
Total Federal Expenditures CFDA 14.181				374,230	-
Community Development Block Grant					
Small Cities - Marshall CDAP-17-0052-O-FY18	14.228	MN Dept of Employment and Economic Development	06/27/18-9/30/21	114,626	
Small Cities - Raymond CDAP-17-0053-O-FY18		MN Dept of Employment and Economic Development	06/27/18-9/30/21	8,610	
Small Cities - Maynard CDAP-15-0031-O-FY18		City of Maynard, MN	06/27/18-9/30/21	406	
Small Cities - Lakefield CDAP-15-0040-O-FY18		MN Dept of Employment and Economic Development	05/03/16-12/31/18	279,753	
Small Cities - Fairfax CDAP-15-0049-O-FY18		MN Dept of Employment and Economic Development	10/01/16-09/30/19	338,674	
Small Cities - Fulda CDAP-16-0022-O-FY18		MN Dept of Employment and Economic Development	10/01/16-09/30/19	19,840	5,011
Small Cities - Vesta, Lucan, Morton CDAP-16-0023-O-FY18		MN Dept of Employment and Economic Development	06/29/17-09/30/20	108,916	
Small Cities - Jackson CDAP-16-0023-O-FY18		MN Dept of Employment and Economic Development	06/29/17-09/30/20	153,748	
Total Federal Expenditures CFDA 14.228				1,024,573	5,011
Emergency Solutions Grant					
Emergency Solutions Grant Re-housing GRK% 126831	14.231	State of Minnesota, Dept. of Human Services	07/01/17-06/30/19	57,201	
Emergency Solutions Grant Re-housing GRK% 126831		State of Minnesota, Dept. of Human Services	07/01/19-06/30/21	22,918	
Emergency Solutions Grant - Shelter GRK% 119802		State of Minnesota, Dept. of Human Services	07/01/17-06/30/19	40,481	
Emergency Solutions Grant - Shelter GRK% 119802		State of Minnesota, Dept. of Human Services	07/01/19-06/30/21	36,377	
Total Federal Expenditures CFDA 14.231				156,977	-

United Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/Program or Cluster Title	CFDA Number	Funding Source	Program Period	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)					
HUD Supportive Housing Program					
HUD Supportive Housing Program	14.235	US Department of Housing and Urban Development	04/01/18-03/31/19	152,827	
MN0143L5K111707					
HUD Supportive Housing Program Consolidated		US Department of Housing and Urban Development	04/01/19-03/31/20	142,774	
MN0143L5K111808					
HUD Supportive Housing Program - Cottonwood		US Department of Housing and Urban Development	11/01/17-10/31/18	38	
MN0392L5K111600					
HUD Supportive Housing Program - Cottonwood		US Department of Housing and Urban Development	11/01/18-10/31/19	10,190	
MN0392L5K111701					
HUD Supportive Housing Program - Lyon County		US Department of Housing and Urban Development	11/01/18-10/31/19	6,927	
MN0416L5K111700					
		Total Federal Expenditures CFDA 14.235		312,756	-
<i>Total Department of Housing and Urban Development</i>				1,868,536	5,011
DEPARTMENT OF STATE					
Refugee Program	19.510	US Conference of Catholic Bishops (USCCB)	10/01/18-09/30/19	74,875	-
DEPARTMENT OF TRANSPORTATION					
Transit Operating Assistance					
Transit Operating Assistance #1032539	20.509	MN Department of Transportation	01/01/19-12/31/19	281,376	
Transit Operating Assistance #1027005		MN Department of Transportation	01/01/18-12/31/18	560,716	
		Total Federal Expenditures CFDA 20.509		842,092	-
Transit Services Program Cluster:					
Transportation Coordination Assistance	20.513	MN Department of Transportation	01/01/17-12/31/19	88,059	-
Grant #1027006 Amend #1					
<i>Total Department of Transportation</i>				930,151	0
DEPARTMENT OF ENERGY					
Weatherization Assistance for Low-Income Persons					
WAP DOE A2500	81.042	State of Minnesota, Dept. of Commerce	07/01/18-06/30/19	455,489	
#141991/10884 - DE-EE0007928					
WAP DOE A2500		State of Minnesota, Dept. of Commerce	07/01/19-06/30/20	152,185	
#157652/12161 - DE-EE0007928					
		Total Federal Expenditures CFDA 81.042		607,674	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
State Planning and Establishment Grants for the Affordable Care Act (ACA) OS Exchanges					
MNSure Outreach Assistance #143255	93.525	Minnesota Insurance Marketplace, MNSure	07/01/18-06/30/19	242,141	159,291
MNSure Outreach Assistance #143255 Amend #1		Minnesota Insurance Marketplace, MNSure	07/01/19-06/30/20	87,321	43,721
MNSure Consumer Assistance Partner		State of Minnesota, Dept. Human Services	07/01/16-06/30/20	2,590	
		Total Federal Expenditures CFDA 93.525		332,052	203,012
Low-Income Home Energy Assistance					
2019 Low-Income Home Energy Assistance	93.568	State of Minnesota, Dept. of Commerce	10/01/18-09/30/19	863,300	
Program #165641/12679-1563					
2019 LIHEAP Direct Payments		State of Minnesota, Dept. of Commerce	10/01/18-09/30/19	3,292,865	
Program #165641/12679-1563					
EAPWX A2109		State of Minnesota, Dept. of Commerce	07/01/18-06/30/19	429,608	
#141991/10884 - 18B1MNLIEA					
EAPWX A2109		State of Minnesota, Dept. of Commerce	07/01/19-09/30/19	45,315	
#157652/12161 - 17B1MNLIEA					
EAPWX A2110		State of Minnesota, Dept. of Commerce	07/01/19-06/30/20	28,617	
#157652/12161 - 18B1MNLIEA					
		Total Federal Expenditures CFDA 93.568		4,659,705	-
Community Services Block Grant					
2018-2019 Community Service	93.569	State of Minnesota, Dept. of Human Services	10/01/17-12/31/19	276,327	
Block Grant GRK% 127540					
Discretionary Community Services		State of Minnesota, Dept. of Human Services	07/01/19-12/31/20	30	
Block Grant GRK% 160362					
		Total Federal Expenditures CFDA 93.569		276,357	-

United Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/Program or Cluster Title	CFDA Number	Funding Source	Program Period	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)					
CCDF Cluster:					
2017-2018 Child Care Aware Baseline Grant #131099-7939	93.596	State of Minnesota, Dept. of Human Services	07/01/18-06/30/19	157,702	
2018-2019 Child Care Aware Baseline Grant #131099-7940 Amend #3		State of Minnesota, Dept. of Human Services	07/01/19-06/30/20	38,467	
Total Federal Expenditures CFDA 93.596				196,169	
Head Start					
Head Start Early Head Start 05CH8402/04	93.600	U.S. Dept. of Health and Human Services	05/01/18-04/30/19	1,627,784	
Head Start Early Head Start 05CH8402/05		U.S. Dept. of Health and Human Services	05/01/19-04/30/20	948,376	
Head Start Early Head Start 05CH10360/03		U.S. Dept. of Health and Human Services	05/01/18-4/30/19	971,474	
Head Start Early Head Start 05CH10360/04		U.S. Dept. of Health and Human Services	05/01/18-9/30/20	617,562	
Head Start Early Head Start 05HP00017301		U.S. Dept. of Health and Human Services	03/01/19-2/29/20	154,995	
Total Federal Expenditures CFDA 93.600				4,320,191	
Medicaid Cluster:					
MNSure Consumer Assistance Partner	93.778	State of Minnesota, Dept. Human Services	07/01/16-06/30/20	27,415	
Total Department of Health and Human Services				9,811,889	203,012
DEPARTMENT OF HOMELAND SECURITY					
Emererergy Food & Shelter Program Kandiyohi County 30-4974-00-35	97.024	United Way of West Central MN	01/01/18-01/31/19	1,026	
Emererergy Food & Shelter Program McLeod County 35-4992-00-005-35		Emergency Food and Shelter Program	04/01/17-01/31/19	3,267	
Emererergy Food & Shelter Program Pipestone County		Emergency Food and Shelter Program	01/01/18-01/31/19	2,981	
Emererergy Food & Shelter Program Murray County		Emergency Food and Shelter Program	01/01/18-01/31/19	2,981	
Total Federal Expenditures CFDA 97.024				10,255	
TOTAL FEDERAL EXPENDITURES				\$ 13,747,947	\$ 208,023

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of United Community Action Partnership, Inc. under the programs of the federal government for the year ended September 30, 2019. 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 the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. 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 - Indirect Cost Rate

The Agency has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - Energy Assistance Payments

Included in CFDA 93.568 are client benefits paid by the State of Minnesota of \$3,292,865. These expenditures are not included in the statement of activities.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors
United Community Action Partnership, Inc.
Marshall, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of United Community Action Partnership, Inc. as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated February 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 the Agency's financial statements are free of 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BergankDV, Ltd.

St. Cloud, Minnesota
February 27, 2020

**Report on Compliance for Each Major Federal
Program and on Internal Control Over
Compliance Required by Uniform Guidance**

Independent Auditor's Report

To the Board of Directors
United Community Action Partnership, Inc.
Marshall, Minnesota

Report on Compliance for Each Major Federal Program

We have audited United Community Action Partnership, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2019. The Agency's major federal programs are identified in the summary of the 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 the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). 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 the Agency'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 the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, United Community Action Partnership, Inc. complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Agency'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 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 the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency 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.

Purpose of this Report

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.

BergankDV, Ltd.

St. Cloud, Minnesota
February 27, 2020

United Community Action Partnership, Inc.

Schedule of Findings and Questioned Costs Year Ended September 30, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? None
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? None
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Federal Programs

CFDA No.: 93.568
Name of Federal Program: Low-Income Home Energy Assistance

CFDA No.: 93.600
Name of Federal Program: Head Start

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee No

United Community Action Partnership, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.