



**Consolidated Financial Statements
and Supplementary Information**

December 31, 2023

**Three Rivers Community Action, Inc. and Subsidiaries
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Independent Auditor's Report

Board of Directors
Three Rivers Community Action, Inc. and Subsidiaries
Zumbrota, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of and Subsidiaries as of December 31, 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Three Rivers Community Action, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and they are not a required part of the consolidated financial statements. The accompanying 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 (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements and the schedule of expenditures of federal awards are 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 May 15, 2024, on our consideration of Three Rivers Community Action, 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 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 Three Rivers Community Action, 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 Three Rivers Community Action, Inc.'s internal control over financial reporting and compliance.

BerganKOV, Ltd.

St. Cloud, Minnesota
May 15, 2024

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 7,425,558	\$ 7,961,460
Grants receivable	1,899,750	1,122,371
Accounts receivable	2,001,685	1,651,698
Current portion of contracts receivable	57,492	68,100
Prepaid expenses	289,895	251,458
Total current assets	11,674,380	11,055,087
Restricted cash and cash equivalents	4,445,149	9,933,521
Contracts receivable	846,176	500,344
Other assets	999,262	748,872
Right-of-use assets - operating leases	493,571	419,246
Right-of-use assets - finance leases	41,928	58,699
Property and equipment, net	2,900,680	3,192,856
Affordable housing projects	71,368,086	52,894,524
Total assets	\$ 92,769,232	\$ 78,803,149
Liabilities and Net Assets		
Current liabilities		
Line of credit	\$ -	\$ 557,908
Current portion of long-term debt	14,060,750	7,327,756
Current portion of operating lease liabilities	154,918	218,014
Current portion of finance lease liabilities	17,238	16,982
Accounts payable and accrued expenses	4,225,755	5,064,265
Deferred revenue	63,251	50,227
Grant advances	721,558	64,077
Total current liabilities	19,243,470	13,299,229
Long-term liabilities		
Accrued interest	770,181	719,729
Section 1602 deferred grant	210,093	280,125
Operating lease liabilities	347,505	208,578
Finance lease liabilities	25,318	42,497
Long-term debt, net	32,136,181	25,875,435
Total long-term liabilities	33,489,278	27,126,364
Total liabilities	52,732,748	40,425,593
Net assets		
Without donor restrictions	18,695,256	15,930,645
Noncontrolling interest in consolidated subsidiaries	21,341,228	22,446,911
Total net assets	40,036,484	38,377,556
Total liabilities and net assets	\$ 92,769,232	\$ 78,803,149

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Activities
Years Ended December 2023 and 2022

	2023	2022
Revenue		
Federal grant revenue	\$ 7,553,147	\$ 6,968,033
State grant revenue	6,505,765	5,970,624
Other grant revenue	603,612	87,763
Contributions	2,177,526	689,577
In-kind contributions	410,000	152,000
Other program revenue	828,771	1,006,797
Rental income	5,048,619	4,656,686
Investment income	250,645	131,306
Total revenue	23,378,085	19,662,786
Expenses		
Program services		
Housing	6,829,002	6,774,089
Transportation	4,956,350	4,505,047
Early childhood	2,975,576	3,257,624
Community development	6,179,713	4,110,196
Older adult services	485,923	415,519
Management and general	683,088	778,299
Total expenses	22,109,652	19,840,774
Change in net assets before noncontrolling interest	1,268,433	(177,988)
Change in noncontrolling interest	1,496,178	1,064,171
Change in net assets without donor restrictions	2,764,611	886,183
Net Assets Without Donor Restrictions		
Beginning of year	15,930,645	14,618,285
Transfer of non-controlling interest in Trailside of Albert Lea LP	-	426,177
End of year	\$ 18,695,256	\$ 15,930,645
Noncontrolling Interest in Consolidated Subsidiaries		
Beginning of year	22,446,911	17,263,287
Change in noncontrolling interest in consolidated subsidiaries	(1,496,178)	(1,064,171)
Transfer of non-controlling interest in Trailside of Albert Lea LP	-	(426,177)
Capital contributions (distributions), net	462,034	6,715,833
Syndication costs	(71,539)	(41,861)
End of year	\$ 21,341,228	\$ 22,446,911

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services					Total	Management and General	Total
	Housing	Transportation	Early Childhood	Community Development	Older Adult Services			
Direct services	\$ 200	\$ 64,807	\$ 173,381	\$ 3,203,895	\$ 227,814	\$ 3,670,097	\$ -	\$ 3,670,097
Salaries and wages	211,028	2,249,931	1,401,959	1,707,310	151,313	5,721,541	358,498	6,080,039
Fringe benefits	109,119	1,221,267	806,619	850,834	72,979	3,060,818	156,041	3,216,859
Training and travel	35,461	60,913	82,161	66,968	5,694	251,197	31,185	282,382
Telephone and technology	22,611	69,283	68,795	75,295	6,472	242,456	1,576	244,032
Office supplies	3,055	44,214	43,506	46,356	4,383	141,514	1,347	142,861
Space costs and utilities	106,073	66,321	258,349	133,997	7,672	572,412	18,205	590,617
Equipment and maintenance	306,818	48,194	-	10,407	-	365,419	-	365,419
Vehicle repairs and maintenance	-	744,160	-	-	-	744,160	-	744,160
Other costs	435,014	165,851	72,603	80,700	9,596	763,764	116,236	880,000
Housing partnerships	2,499,183	-	-	-	-	2,499,183	-	2,499,183
Depreciation and amortization	2,563,496	221,409	68,203	3,951	-	2,857,059	-	2,857,059
Interest	536,944	-	-	-	-	536,944	-	536,944
Total	\$ 6,829,002	\$ 4,956,350	\$ 2,975,576	\$ 6,179,713	\$ 485,923	\$ 21,426,564	\$ 683,088	\$ 22,109,652

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services					Total	Management and General	Total
	Housing	Transportation	Early Childhood	Community Development	Older Adult Services			
Direct services	\$ 912,752	\$ 969	\$ 602,562	\$ 1,731,611	\$ 146,519	\$ 3,394,413	\$ -	\$ 3,394,413
Salaries and wages	118,037	2,052,966	1,365,795	1,413,758	139,198	5,089,754	418,003	5,507,757
Fringe benefits	87,158	1,114,843	736,269	640,344	99,706	2,678,320	210,387	2,888,707
Training and travel	19,761	55,796	59,650	71,648	2,774	209,629	7,657	217,286
Telephone and technology	22,733	79,845	86,259	81,217	7,532	277,586	660	278,246
Office supplies	4,097	28,678	28,659	20,866	4,283	86,583	2,869	89,452
Space costs and utilities	110,256	80,922	258,887	84,283	9,424	543,772	21,739	565,511
Equipment and maintenance	263,290	26,168	-	4,545	-	294,003	-	294,003
Vehicle repairs and maintenance	-	681,909	-	-	-	681,909	-	681,909
Other costs	333,215	133,740	70,576	56,673	6,083	600,287	116,984	717,271
Housing partnerships	2,201,259	-	-	-	-	2,201,259	-	2,201,259
Depreciation and amortization	2,141,265	249,211	48,967	5,251	-	2,444,694	-	2,444,694
Interest	560,266	-	-	-	-	560,266	-	560,266
Total	\$ 6,774,089	\$ 4,505,047	\$ 3,257,624	\$ 4,110,196	\$ 415,519	\$ 19,062,475	\$ 778,299	\$ 19,840,774

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows - Operating Activities		
Change in net assets	\$ 2,764,611	\$ 886,183
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Noncontrolling interest change in net assets	(1,496,178)	(1,064,171)
Depreciation - property and equipment	365,327	357,699
Amortization - other assets	19,321	19,321
Amortization - debt issuance costs	119,611	47,555
Amortization of ROU assets - operating	266,900	209,374
Amortization of ROU assets - finance	16,771	16,771
Depreciation - affordable housing projects	2,470,131	2,065,480
Change in affordable housing projects at equity method	28,243	(10,941)
Loss on disposal of affordable housing projects	42,910	-
Noncash contribution of land for affordable housing projects	(410,000)	-
Section 1602 grant revenue	(70,032)	(70,032)
Change in operating assets and liabilities		
Grants receivable	(777,379)	(364,616)
Accounts receivable	(349,987)	(169,360)
Contracts receivable	(335,224)	177,852
Prepaid expenses	(38,437)	34,849
Other assets	(25,024)	-
Operating lease liabilities	(265,394)	(202,028)
Accounts payable and accrued expenses	(2,651,771)	(330,179)
Deferred revenue	13,024	(15,840)
Grant advances	657,481	(55,567)
Accrued interest	50,452	9,625
Net cash flows - operating activities	395,356	1,541,975
Cash Flows - Investing Activities		
Purchase of property and equipment	(426,293)	(117,087)
Purchase of affordable housing projects	(5,385,188)	(1,338,656)
Siding settlement proceeds on affordable housing projects	-	25,064
Net cash flows - investing activities	(5,811,481)	(1,430,679)
Cash Flows - Financing Activities		
Cash paid for debt issuance costs	(125,072)	(297,848)
Proceeds from long-term debt	-	5,393,677
Principal payments on long-term debt	(298,741)	(4,729,129)
Payments on finance lease liabilities	(16,923)	(15,991)
Payments on lines of credit	(557,908)	(187,528)
Partner contributions	481,390	6,771,874
Payment of tax credit fees	-	(100,061)
Partner distributions and syndication fees	(90,895)	(271,557)
Net cash flows - financing activities	(608,149)	6,563,437
Net change in cash, cash equivalents and restricted cash and cash equivalents	(6,024,274)	6,674,733

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Beginning of year	17,894,981	11,220,248
End of year	\$ 11,870,707	\$ 17,894,981
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 7,425,558	\$ 7,961,460
Restricted cash and cash equivalents	4,445,149	9,933,521
Total end of year cash, cash equivalents and restricted cash and cash equivalents	\$ 11,870,707	\$ 17,894,981
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 486,492	\$ 550,641
Debt assumed for purchases of affordable housing projects	13,297,942	7,290,000
Affordable housing projects additions included in accounts payable	1,813,261	2,058,246
Contributed land for affordable housing projects	410,000	152,000
Transfer of non-controlling interest in Trailside of Albert Lea LP	-	426,177
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows from finance leases	\$ 847	\$ 1,122
Financing cash outflows from finance leases	16,901	15,991
Operating cash outflows from operating leases	266,900	210,076
Supplemental Schedule of Noncash Investing and Financing Activities		
ROU assets obtained in exchange for operating lease liabilities	\$ 330,383	\$ 628,620

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Three Rivers Community Action, Inc. and Subsidiaries (the Organization) is a nonprofit corporation implementing the policies and procedures of the Office of Economic Opportunity by providing financial assistance to individuals and communities for the development, conduct and administration of community action programs under Section 204 and 205 of Title II-A of the Economic Opportunity Act of 1964, as amended. The Organization's major programs consist of Housing, Transportation, Early Childhood, Community Development, and Older Adult Services.

Principles of Consolidation and Affordable Housing Projects and Other Assets

The Organization has consolidated all limited partnerships and limited liability companies in which Three Rivers Community Action, Inc. (Three Rivers) controls as the general partner or managing member.

The financial statements consolidate activity of Three Rivers and its subsidiaries as follows: Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Townhomes Limited Partnership, Harvest Ridge Townhomes Limited Partnership, Knollwood Apartments Limited Partnership, North & South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Ridgely Park Apartments Limited Partnership, Riverwood Apartments Limited Liability Company, Spring Creek Townhomes Limited Partnership, Spring Creek II Townhomes Limited Partnership, Three Rivers Development LLC, Trailside Apartments of Albert Lea Limited Partnership, Underwood Terrace Limited Partnership and Wazuweeta Woods Limited Partnership. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

In addition, in 2019 Three Rivers created Three Rivers Development LLC. Three Rivers is the sole member of the LLC and it is a disregarded entity for tax purposes.

Bridge Run Townhomes

Three Rivers organized a limited liability company (Bridge Run Townhomes, LLC) to acquire, rehabilitate, own, maintain, and operate an 18-unit rental housing project located in Cannon Falls, Minnesota. Three Rivers is the sole member of the LLC.

Eagle Ridge Apartments

Three Rivers entered into a limited partnership agreement (Eagle Ridge Apartments, LP) to construct, develop, acquire, hold for investment, lease and sell a 48 unit residential apartment development located in Red Wing, Minnesota. Three Rivers has served as general partner with .01 percent ownership since formation. On December 31, 2019, the non-controlling interest in Eagle Ridge Apartments transferred to Three Rivers Development LLC.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation and Affordable Housing Projects and Other Assets (Continued)

Fox Pointe Townhomes

Three Rivers organized a limited liability company (Fox Pointe Townhomes GP, LLC) and entered into a limited partnership agreement with Wells Fargo Affordable Housing Community Development Corporation to acquire, finance, own, construct, rehabilitate, maintain, improve, operate, lease and, if appropriate or desirable, sell or otherwise dispose of a 38-unit residential rental housing development located in Austin, Minnesota. Fox Pointe Townhomes GP, LLC serves as general partner with .01 percent ownership.

Harvest Ridge Townhomes

Three Rivers entered into a limited partnership agreement (Harvest Ridge Townhomes, LP) to construct, develop, acquire, hold for investment, lease and sell a 20-unit residential townhome development located in Plainview, Minnesota. Three Rivers has served as general partner with .01 percent ownership since formation. On December 31, 2020, the non-controlling interest in Harvest Ridge Townhomes transferred to Three Rivers Development LLC.

Knollwood Apartments

Three Rivers organized a limited liability company (Knollwood Apartments GP, LLC) and entered into a limited partnership agreement with Midwest Housing Equity Group to acquire, finance, rehabilitate, own, maintain, improve, operate, lease and, if appropriate or desirable, sell or otherwise dispose of a 24-unit residential rental housing development located in Pine Island, Minnesota. Knollwood Apartments GP, LLC serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner. At the close of 2021, Three Rivers Development, LLC was temporarily serving as the limited partner, and was replaced on January 26, 2022 by Knollwood Apartments LP.

North & South Oak Apartments

Three Rivers organized a limited liability company (North & South Oak GP, LLC) and entered into a limited partnership agreement with Cinnaire fund for housing Limited Partnership 31 (North & South Oak Apartments) to acquire, rehabilitate, own, maintain & operate a 43-unit residential rental housing development located in Northfield, Minnesota. North & South Oak GP, LLC serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation and Affordable Housing Projects and Other Assets (Continued)

Prairiewood Townhomes

Three Rivers organized a limited liability company (Prairiewood Townhomes GP, LLC) and entered into a limited partnership agreement with MEF Multi-State LIHTC Fund 1 LLLP (Prairiewood Townhomes) to construct, develop, acquire, hold for investment, lease and sell a 30-unit residential rental housing development located in Faribault, Minnesota. Prairiewood Townhomes GP, LLC serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner.

Ridgely Park Apartments

Three Rivers organized a limited liability company (Ridgely Park Apartments GP, LLC) and entered into a limited partnership agreement with Midwest Housing Equity Group to acquire, finance, rehabilitate, own, maintain, improve, operate, lease and, if appropriate or desirable, sell or otherwise dispose of a 24-unit residential rental housing development located in Kassota, Minnesota. Ridgely Park Apartments GP, LLC serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner.

Riverwood Apartments

Three Rivers organized a limited liability company (Riverwood Apartments, LLC) to acquire, rehabilitate, own, maintain, and operate a 39-unit rental housing project located in Cannon Falls, Minnesota. Three Rivers is the sole member of the LLC.

Spring Creek Townhomes

Three Rivers has entered into a limited partnership agreement with NDC Corporate Equity Fund X, LP (Spring Creek Townhomes) to construct, develop, acquire, hold for investment, lease and sell a 28 unit residential rental housing development located in Northfield, Minnesota. Three Rivers serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner.

Spring Creek II Townhomes

Three Rivers organized a limited liability company (Spring Creek II GP LLC) and entered into a limited partnership agreement with Cinnaire Fund for Housing Limited Partnership 39 to acquire, hold for investment, lease, and sell a 32 unit residential rental housing development located in Northfield, Minnesota. Spring Creek II GP LLC serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation and Affordable Housing Projects and Other Assets (Continued)

Trailside of Albert Lea

Three Rivers entered into a limited partnership agreement with NDC Corporate Equity Fund VII, LP (Trailside of Albert Lea, LP) to construct, develop, acquire, hold for investment, lease and sell a 110-unit residential rental housing development located in Albert Lea, Minnesota. Three Rivers serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner. Effective January 1, 2022, NDC Corporate Equity Fund VII, LP assigned its limited partnership interest to Three Rivers Development LLC.

Underwood Terrace

Three Rivers organized a limited liability company (Underwood Terrace GP, LLC) and entered into a limited partnership agreement with MHEG Fund 56, LP as the limited partner and Midwest Housing Assistance Corporation as the special limited partner to acquire, finance, construct, own, maintain, improve, operate, lease and sell or dispose of a 32-unit residential rental housing development located in Lake City, Minnesota. Underwood Terrace GP, LLC serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner.

Wazuweeta Woods

Three Rivers has entered into a limited partnership agreement with Ron Carlsen (Wazuweeta Woods Apartments) to construct, develop, acquire, hold for investment, lease, and sell a 24-unit residential apartment development located in Pine Island, Minnesota. Three Rivers serves as the general partner with 1 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the general partner.

Projects at Cost

Affordable housing projects owned solely by Three Rivers are valued at cost; Northern Oaks Townhomes, Clover Patch Apartments, Southside Apartments, Deerwood Lane Townhomes, Northbridge Apartments of Albert Lea, and Three Rivers Community Investments. Operations are accounted for under Three Rivers.

Northern Oaks Townhomes

Three Rivers completed construction on a large-family affordable rental housing project in Northfield, Minnesota (Northern Oaks). Northern Oaks resulted in the development of eight units (two triplexes and one duplex) of large-family affordable housing.

Clover Patch Apartments

Three Rivers has completed acquisition and rehabilitation of a multi-family affordable rental housing project financed by Rural Development in St. Charles, Minnesota (Clover Patch). Clover Patch resulted in the development of 32 affordable units.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation and Affordable Housing Projects and Other Assets (Continued)

Southside Apartments

Three Rivers completed acquisition and rehabilitation of a multi-family affordable housing project financed by Rural Development in Lonsdale, Minnesota (Southside). Southside resulted in the development of 12 affordable units.

Deerwood Lane Townhomes

Three Rivers completed acquisition of a multi-family market rate housing project in Faribault, Minnesota (Deerwood). Deerwood resulted in the development of 4 market rate units.

Northbridge Apartments of Albert Lea

Three Rivers organized a single-member limited liability company (Northbridge) to acquire, rehabilitate, own, maintain, and operate a 48-unit rental housing project located in Albert Lea, Minnesota.

Three Rivers Community Investment

Three Rivers formed a limited liability company, Three Rivers Community Investment LLC, for the purpose of purchasing, owning and renting small multi-family properties in Rochester, Minnesota to participants in the Housing Justice Program, targeting participants in the Three Rivers and partner agency's programs who are difficult to house in the traditional rental market and in government financed affordable housing. At the end of 2023, the LLC owned and operated 4 units of housing.

Projects at Equity Method

The Organization recognizes its interest in the entities as an asset and annually adjusts that interest for its share of the change in the entities' equity for Hayfield Greens Partnership and Opportunity Homes, LLC.

Hayfield Greens Partnership

Three Rivers entered into a general partnership agreement with Hayfield Greens to construct, develop, acquire, hold for investment, lease, and sell a 24-unit residential apartment development located in Hayfield, Minnesota. Three Rivers owns 50% of Hayfield Greens and it continues to be accounted for using the equity method of accounting due to the substantial participating rights of all partners. Hayfield Greens exited its 30-year affordability commitment on March 1, 2024, and was sold to an unrelated entity. Three Rivers no longer holds an interest in this property.

Opportunity Homes

Three Rivers entered into a limited partnership agreement with Opportunity Homes to construct, develop, acquire, hold for investment, lease, and sell five residential homes located in Kasson, Rochester and Faribault, Minnesota. Three Rivers owns 50% of Opportunity Homes and it continues to be accounted for using the equity method of accounting due to the substantial participating rights of all partners.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates fair value. The Organization limits credit exposure to any one financial institution by spreading the balances among many financial institutions overnight using the InterFi network. Balances are limited to less than \$250,000 each, making all funds eligible for FDIC protection.

Grants Receivable

Grants receivable are due primarily from the federal and state government and other nonprofit organizations and arise primarily from the Organization's grants and contracts with those agencies to administer various programs and as of December 31, 2023 and 2022, the Organization estimates there were no uncollectible amounts. All accounts are reviewed annually for collectability.

Accounts Receivable

Accounts Receivable are stated at the amount management expects to collect from outstanding balances determined from contractual agreements and from the sale of transportation tokens and passes at posted rates to program participants or their representatives. Receivables from contracts with customers are reported net of expected credit losses in the accompanying consolidated statements of financial position. The Organization uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of receivables at year-end is consistent with historical conditions as there has been no significant changes in pay sources, credit terms and collection practices, or economic conditions. Based upon prior experience and continual assessments of future collections, the Organization determined there was no allowance for expected credit losses necessary as of December 31, 2023.

Contracts Receivable

Contracts receivable arise from the sale of rehabilitated homes to low-income persons on a contract for deed basis. Contracts that are part of the low-income housing rehabilitation program bear no interest and payment terms are based on the purchaser's income. Due to program restrictions, contracts for deed receivables are reported at outstanding principal. No allowance for estimated defaults is provided as each loan is secured by the property on a contract for deed allowing for immediate property repossession. Repossession only occurs if a contract falls into contractual default and a repayment plan cannot be agreed upon. Houses held for resale are repossessed homes from the low-income purchaser housing rehabilitation program. Houses held for resale are recorded at carrying cost.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

The Organization had significant funding sources that provided the following approximate amounts of total grant and contributions revenue for the years ended December 31, 2023:

	<u>2023</u>	<u>2022</u>
Minnesota Department of Transportation	23%	26%
Department of Human Services, Office of Head Start	11%	12%
Minnesota Housing Finance Agency	17%	11%

The Organization had significant funding sources that accounted for the following approximate amounts of total accounts receivable as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Underwood Terrace LLC	39%	0%
Austin 1st & 3rd Apartments LLC	22%	0%
Brewery Creek Apartments LLC	20%	61%
Ridgely Park Apartments LLC	0%	12%

Leases

The Organization classifies leases as either operating or finance leases at the commencement date of the lease. A lease is classified as a finance lease if any of the five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying assets and the lessee is reasonably certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying assets, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying assets or (5) the underlying assets are of such a specialized nature that they are expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria for a finance lease are classified as operating leases.

The Organization recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Organization does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Organization are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Organization has elected the practical expedients (1) to discount the lease liability using the risk-free rate for all asset classes, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components for all asset classes.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over \$5,000 and with an estimated useful life greater than one year.

The property and equipment acquired is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the funding sources have a revisionary interest in the property and equipment purchased with grant funds; their disposition, as well as the ownership of any proceeds and the assets, are subject to the regulations of the funding source.

Long-Lived Assets

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended December 31, 2023 and 2022.

Affordable Housing Project, Notes, and Mortgages

The Organization does not discount noninterest or low interest loans for affordable housing projects due to legal restrictions prescribed by governmental agencies.

Net Assets

Net assets and revenue are classified based on the existence or absence of donor or grantor-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 With Donor Restrictions

Net assets subject to donor or 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 that are restricted by the donor 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Grants with substantial conditions are not recognized until the conditions on which they depend are met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2023 and 2022, conditional promises to give of approximately \$18,320,200 and \$11,430,500, for which no amounts have been received in advance, have not been recognized in the accompanying consolidated financial statements.

Other program revenue is earned by a number of Three Rivers programs, often as a secondary or supplemental source of funding for a program. The transaction price is based either on a set price per unit for the transaction (per ride, per child, per meal, per loan) or on a negotiated contract amount. Program service fees revenue is recognized as performance obligations are satisfied. In most instances, individual contracts determine when performance obligations are satisfied. For services to the general public such as transportation, performance obligations are considered satisfied as the goods or services (tokens, passes or rides) are provided to the customer.

Affordable housing units are leased by tenants under operating leases for periods of up to one year. Rental income is recognized during the period it relates to, and advance payments of rent are deferred until earned. In addition to rent, affordable housing properties may earn revenue through tenant charges including late fees, recovery of the cost of cleaning and other damages, pay per use laundry facilities, pet fees and garage rents. Each property records this revenue by category, and it is consolidated into the single "other revenue" category in the consolidated financial statements.

Accounts receivable totaled \$1,482,338 and deferred revenue totaled \$66,067 as of January 1, 2022.

In-Kind Contributions

Each program is responsible for keeping records to support the in-kind contribution claimed. To calculate the value of services, space, or material donated, a rate at or below the current market rate is used. Volunteers contribute significant amounts of time to program services and administration activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods and property and equipment are recorded at fair value at the date of donation. The fair market value of land donated for the development of income based multi-family housing is set in each project's limited partnership agreement and is supported by expert appraisals and brokers opinions.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the Organization's various programs have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization charges costs to various programs using various bases, such as number of users, according to its internal policy. Costs, which are common to more than one program, have been identified and have been charged to the programs based on metrics that benefit the programs.

Tax Status

Three Rivers has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and accordingly, is not subject to federal or state income taxes. However, unrelated business income may be subject to taxation. The subsidiaries are not taxpaying entities and therefore, no provision for income taxes have been recorded in the consolidated financial statements.

Recently Adopted Accounting Pronouncement

In January 2023, the Organization adopted FASB ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's consolidated financial statements and primarily resulted in enhanced disclosures.

Subsequent Events

The Organization has evaluated subsequent events through May 15, 2024, the date which the consolidated financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position date as of December 31, 2023:

	2023	2022
Cash and cash equivalents	\$ 7,425,558	\$ 7,961,460
Grants receivable	1,899,750	1,122,371
Accounts receivable	2,001,685	1,651,698
Current portion of contracts receivable	57,492	68,100
Total financial assets available for general expenditures	\$ 11,384,485	\$ 10,803,629

The Organization generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 3 - RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consists of the following as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Operating reserve - required by partnership agreements	\$ 850,317	\$ 723,063
Replacement cost reserve	2,903,462	3,020,364
Tenant security deposits	383,267	332,858
Tenant protection reserve	56,070	45,306
Residual receipts reserve	110,586	92,705
Bond escrow	-	5,505,845
Real estate tax and insurance escrow	141,447	213,380
	<u> </u>	<u> </u>
Total restricted cash and cash equivalents	<u>\$ 4,445,149</u>	<u>\$ 9,933,521</u>

NOTE 4 - CONTRACTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Total contracts receivable	\$ 903,668	\$ 568,444
Less current portion	<u>(57,492)</u>	<u>(68,100)</u>
	<u> </u>	<u> </u>
Contracts receivable, net of current portion	<u>\$ 846,176</u>	<u>\$ 500,344</u>

Estimated future collections are as follows for the years ending December 31:

2024	\$ 57,492
2025	57,492
2026	57,492
2027	50,300
2028	20,880
2029 and thereafter	<u>660,012</u>
	<u> </u>
Total contracts receivable	<u>\$ 903,668</u>

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 5 - OTHER ASSETS

Other assets are investments, valued at cost less depreciation, in future affordable housing projects and various reserves for affordable housing projects as required by certain loan covenants and restricted by funding source agreements. Other assets consist of the following as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Bridge Run Townhomes	\$ 766	\$ 1,182
Fox Pointe Townhomes	45,818	50,400
Knollwood Apartments	27,188	29,280
North & South Oak Apartments	5,817	7,756
Prairiewood Townhomes	15,125	18,150
Ridgely Park Apartments	26,834	28,898
Spring Creek Townhomes	-	3,901
Spring Creek Townhomes II	19,610	-
Rochester Multi-Family Project	528,201	528,201
MURL contract for deed home	244,687	-
Underwood Terrace	85,216	81,104
	<u>\$ 999,262</u>	<u>\$ 748,872</u>
Total other assets		

NOTE 6 - AFFORDABLE HOUSING PROJECTS

Affordable housing projects consist of the following as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Land	\$ 8,335,046	\$ 6,406,942
Building and improvements	81,638,045	60,192,251
Furniture and equipment	4,468,217	3,007,322
Construction in progress	-	3,941,142
	<u>94,441,308</u>	<u>73,547,657</u>
Less accumulated depreciation	<u>23,073,222</u>	<u>20,653,133</u>
Total	<u>\$ 71,368,086</u>	<u>\$ 52,894,524</u>

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2023:

	2023	2022
Land	\$ 110,925	\$ 110,925
Building and improvements	3,799,583	3,583,790
Furniture and equipment	2,688,947	2,699,022
Construction in progress	1,000	149,442
	6,600,455	6,543,179
Less accumulated depreciation	3,699,775	3,350,323
Property and equipment, net	\$ 2,900,680	\$ 3,192,856

NOTE 8 - LINE OF CREDIT

In April 2021, Three Rivers obtained a \$700,000 line of credit for pre-development costs for Brewery Creek project with terms of twelve months and interest at 4.75%. During 2022, the loan due date was extended to March 31, 2023. The line of credit was paid off on March 28, 2023. The outstanding balance as of December 31, 2022 was \$557,908.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT

	2023	2022
Three Rivers Community Action, Inc.		
SWMHP, EMHI downpayment assistance of \$2,500 per client, interest at 0%, payable at sale of property.	\$ 2,500	\$ 2,500
 Bremer Bank, mortgage payable, secured by 1414 North Star Drive, Zumbrota, MN payable in monthly installments of \$3,390, including interest at 3.8%, payable in full on April 30, 2027.	 552,079	 588,079
Clover Patch Apartments		
USDA Rural Development, mortgage payable, secured by Clover Patch Apartments, payable in monthly installments of \$2,619, including interest at 2.75%, payable in full on April 1, 2040.	837,090	837,090
 MHFA Preservation Affordable Rental Investment Fund Program, mortgage payable, secured by Clover Patch Apartments, interest at 0%, payable in full on November 2, 2040.	 350,000	 350,000
 Greater Minnesota Housing Fund, mortgage payable, secured by Clover Patch Apartments, interest at 0%, payable in full on November 2, 2040.	 120,000	 120,000
 First Homes Properties, mortgage payable, secured by Clover Patch Apartments, interest at 0%, payable in full on November 2, 2040.	 50,000	 50,000
 MHFA Asset Management mortgage payable, secured by Clover Patch Apartments, including interest at 0%, payable in full on November 2, 2040.	 1,167,000	 1,167,000
 USDA Rural Development 515 loan, secured by Clover Patch Apartments, payable in monthly payments of \$3,232, including interest at 2.5%, payable in full on November 2, 2040.	 1,099,504	 1,111,678
 Northbridge Apartments of Albert Lea		
USDA Rural Development, mortgage payable, secured by Northbridge Apartments, payable in monthly installments of \$4,392, including interest at 3.125%, payable in full on May 31, 2043.	1,197,194	1,208,897

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	2023	2022
Northbridge Apartments of Albert Lea (Continued)		
MHFA PARIF, mortgage payable, secured by Northbridge Apartments, interest at 0%, payable in full on May 31, 2043.	\$ 480,250	\$ 480,250
MHFA HOME, mortgage payable, secured by Northbridge Apartments, interest at 0%, payable in full on May 31, 2043.	1,000,000	1,000,000
GMHF, deferred loan, secured by Northbridge Apartments, interest at 0%, payable in full on May 31, 2043.	200,000	200,000
GMHF, mortgage payable, secured by Northbridge Apartments, payable in monthly installments of \$759, including interest at 2%, payable in full on May 31, 2033.	82,980	90,347
Northern Oaks Townhomes		
MHFA, Home Targeted Program, forgivable loan, proceeds used for Northern Oaks purchase. This loan is to be forgiven if all conditions are met December 31, 2026.	320,000	320,000
Community Resource Bank mortgage, secured by Northern Oaks, payable in monthly installments of \$651, including interest at 4.9%, payable in full on February 10, 2030.	41,328	46,934
Southside Apartments		
USDA Rural Development, mortgage payable, secured by Southside Apartments, payable in monthly installments of \$821, including interest at 4%, payable in full on March 1, 2049.	129,409	132,305
MHFA, Preservation Affordable Rental Investment Fund Program Loan, secured by Southside Apartments, including interest at 1%, principal and interest payable in full on December 9, 2048.	175,000	175,000
GMHF mortgage payable, secured by Southside Apartments, interest at 0%, payable in full on December 9, 2048.	175,000	175,000
SWMHP mortgage payable, secured by Southside Apartments, interest at 0%, payable in full on December 9, 2048.	16,000	16,000

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	2023	2022
Bridge Run Townhomes		
MHFA mortgage payable, secured by Bridge Run Townhomes, LLC, interest at 0%, payable in full on November 4, 2040.	\$ 360,000	\$ 360,000
MHFA mortgage payable, secured by Bridge Run Townhomes, LLC, interest at 0%, payable in full on November 4, 2040.	252,000	252,000
MHFA mortgage payable, secured by Bridge Run Townhomes, LLC, payable in monthly installments of \$2,784, including interest at 5.5%, payable in full on October 1, 2041.	379,075	391,263
GMHF mortgage payable, secured by Bridge Run Townhomes, LLC, interest at 0%, payable in full on November 4, 2040.	60,000	60,000
SWMHP mortgage payable, secured by Bridge Run Townhomes, LLC, interest at 0%, payable in full on November 4, 2040.	18,000	18,000
Eagle Ridge Apartments		
MHFA mortgage payable, secured by Eagle Ridge Apartments, LP, payable in monthly installments of \$5,165, including interest at 5.75%, payable in full on November 1, 2035.	536,341	566,530
MHFA mortgage payable, secured by Eagle Ridge Apartments, LP, interest at 1%, principal and interest payable in full on November 1, 2035.	456,670	456,670
GMHF mortgage payable, secured by Eagle Ridge Apartments, LP, interest at 1%, principal and interest payable in full on September 16, 2034.	665,000	665,000
Fox Pointe Townhomes		
MHFA, Economic Development Housing Challenge (EDHC) Program loan, secured by Fox Pointe Townhomes, interest at 0%, payable in full on March 1, 2059.	121,600	121,600
MHFA, HUD Risk Sharing Loan, secured by Fox Pointe Townhomes, payable in monthly installments of \$3,592 through March 1, 2046, including interest at 4.25%, and payments of \$2,203 through February 1, 2060, payable in full on March 1, 2060.	727,906	739,794
Harvest Ridge Townhomes		
GMHF, mortgage payable, secured by Harvest Ridge Townhomes, interest at 1%, principal and interest payable in full on June 8, 2035.	400,000	400,000

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	2023	2022
Harvest Ridge Townhomes (Continued)		
First Homes, mortgage payable, secured by Harvest Ridge Townhomes, interest at 1%, principal and interest payable in full on June 8, 2035.	\$ 300,000	\$ 300,000
MHFA, mortgage payable, secured by Harvest Ridge Townhomes, interest at 1%, principal and interest payable in full on March 1, 2036.	262,031	262,031
MHFA, mortgage payable, secured by Harvest Ridge Townhomes, payable in monthly installments of \$1,128, including interest at 6.05%, payable in full on March 1, 2036.	119,093	125,228
Knollwood Apartments		
USDA Rural Development, mortgage payable, secured by Knollwood Apartments, payable in monthly installments of \$1,516, including interest at 2.5%, payable in full on October 1, 2051.	507,412	512,849
Minnesota Housing Finance Agency - PARIF, secured by Knollwood Apartments, loan payable in annual installments of \$15,439 principal, at 0% interest, payable in full on January 26, 2052.	902,868	918,307
North & South Oak Apartments		
USDA Rural Development, mortgage payable, secured by North & South Oak Apartments, payable in monthly installments of \$2,867, including interest at 2.875%, payable in full on October 3, 2046.	848,951	858,853
MHFA PARIF, mortgage payable, secured by North & South Oak Apartments, interest at 0%, payable in full on October 4, 2046.	505,888	505,888
Prairiewood Townhomes		
GMHF, mortgage payable, secured by Prairiewood Townhomes, payable in monthly installments of \$1,679, including interest at 6%, payable in full on May 20, 2031.	239,524	245,114
Ridgely Park Apartments		
USDA Rural Development, mortgage payable, secured by Ridgely Park Apartments, payable in monthly installments of \$544 including interest at 2.5%, payable in full on August 31, 2051.	181,206	183,617

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	2023	2022
Ridgely Park Apartments (Continued)		
GMHF, mortgage payable, secured by Ridgely Park Apartments, payable in monthly installments of \$3,281 including interest at 4.25%, payable in full on August 31, 2046 and is extendable to August 31, 2051.	\$ 641,172	\$ 653,022
MHFA, PARIF mortgage payable, secured by Ridgely Park Apartments, interest at 0%, due in full on September 29, 2052.	840,000	840,000
Riverwood Apartments		
USDA Rural Development, mortgage payable, secured by Rivers Edge & Woodknoll (Riverwood) Apartments, payable in monthly installments of \$1,464, including interest at 2.5%, payable in full on January 28, 2051.	485,992	491,341
MHFA, PARIF mortgage payable, secured by Riverwood Apartments, interest at 0%, payable in full on February 1, 2051.	2,686,474	2,686,474
MHFA, PARIF mortgage payable, secured by Riverwood Apartments, payable in monthly installments of \$1,447, including interest at 1%, payable in full on February 1, 2051.	425,647	438,696
Spring Creek Townhomes		
First National Bank of Northfield, mortgage payable, collateralized by all by all property and equipment, payable in monthly installments of \$2,892, including interest at 4.5%, payable in full on January 10, 2029.	394,634	410,929
Spring Creek II Townhomes		
MHFA, bridge loan, paid from proceeds of bond issuance, principal and interest of 3.3%, payable in full on July 1, 2024.	7,190,000	7,190,000
MHFA, HOME loan secured by Spring Creek II Townhomes, in the amount of \$6,478,887, interest at 0% interest, payable in full on August 1, 2064.	5,054,234	100,000
Trailside of Albert Lea		
Minnwest Bank, mortgage payable, secured by Trailside of Albert Lea LP, payable in monthly installments of \$12,850, including interest at 5.65%, payable in full on June 10, 2037.	1,355,533	1,395,480

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT (CONTINUED)

	2023	2022
Trailside of Albert Lea (Continued)		
MHFA HOME, mortgage payable, secured by Trailside of Albert Lea LP, interest at 1%, payable in full on December 31, 2036.	\$ 1,184,921	\$ 1,184,921
GMHF, mortgage payable, secured by Trailside of Albert Lea LP, LP, interest at 1%, payable in full on December 19, 2036.	400,000	400,000
SWMHP, mortgage payable, secured by Trailside of Albert Lea LP interest at 1%, principal and interest payable in full on December 19, 2025.	50,000	50,000
Underwood Terrace		
GMHF Construction Loan in the amount of \$7,250,000 dated October 3, 2022, with interest at 4%. Maturity date of October 3, 2024 to be repaid with proceeds of the investor limited partner's construction completion capital contribution.	6,928,100	-
GMHF mortgage payable, secured by Underwood Terrace, payable in monthly installments of \$5,952 including interest at 5.52%, final payment due October 3, 2046.	1,089,000	-
Three Rivers Community Investment		
Altra Federal Credit Union, mortgage payable, secured by 416 Zumbro Hills Drive NW, payable on November 20, 2028, including 6.96% interest	275,000	-
Wazuweeta Woods		
MHFA mortgage payable, secured by Wazuweeta Woods, personally guaranteed by two limited partners and the assignment of the Contract for Private Development and Tax Increment Revenue Note with Pine Island Economic Development Authority, payable in monthly installments of \$5,480, including interest at 5.75%, payable in full on April 1, 2033.	474,130	511,458
MHFA, Challenge Program, secured by Wazuweeta Woods, interest at 0%, payable in full on July 1, 2032.	567,701	567,701
GMHF, mortgage payable, secured by Wazuweeta Woods, interest at 0%, payable in full on July 1, 2032.	360,000	360,000
First Home Properties, mortgage payable, secured by Wazuweeta Woods, interest at 0%, payable in full on July 1, 2032.	388,000	388,000
Total long-term debt	46,629,437	33,681,846
Less unamortized debt issuance costs	432,506	478,655
Less current portion	14,338,618	7,327,756
Total long-term portion of debt	\$ 31,858,313	\$ 25,875,435

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Future long-term debt maturities are as follows the years ending December 31:

2024		\$ 14,338,618
2025		366,842
2026		331,075
2027		832,979
2028		908,075
2029 and thereafter		<u>29,851,848</u>
Total		<u>\$ 46,629,437</u>

NOTE 10 - SECTION 1602 DEFERRED GRANT

Bridge Run Townhomes, LLC was awarded a government grant under the Section 1602 Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 Program in the amount of \$1,050,473. This grant program was created under the American Recovery and Reinvestment Act of 2009 to provide funds for low-income housing projects and is administered by MN Housing.

The grant requires that the property be used as low-income housing for a 15-year compliance period plus the extended use period. The grant will not be required to be repaid unless there is a recapture event during the 15-year compliance period ending December 31, 2027. A recapture event takes place any time occupancy by low-income tenants falls below the required percentage as defined in the mortgage agreement (75%). If a recapture event takes place, the full amount of the grant is repayable, less 6.67% (1/15th) for each full year the property has complied with the prescribed occupancy requirements. The grant is secured by a mortgage on the property. Revenue from the Section 1602 grant is deferred and recognized using the straight-line method over the 15-year recapture period.

In connection with the grant, Bridge Run Townhomes, LLC is required to pay an annual asset management fee of \$3,000, payable from available cash flow, which will be accrued without interest.

NOTE 11 - IN-KIND CONTRIBUTIONS

In-kind contributions consist of contributed land totaling \$410,000 and \$152,000 for the years ending December 31, 2023 and 2022, respectively. The land was contributed to Three Rivers and transferred to 1st & 3rd Apartments in 2023 and Underwood Terrace in 2022. The contributions were unrestricted.

NOTE 12 - RETIREMENT PLAN

Three Rivers maintains a 403(b) defined contribution retirement plan (the Plan) covering substantially all employees. Three Rivers' contributions to the Plan are based on employee contributions and length of service. Three Rivers contributed \$232,861 and \$251,007 to the Plan for 2023, respectively.

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 13 - LEASES

The Organization has operating and finance lease agreements for land, buildings, office space, and equipment with remaining lease terms of one to nine years. Some leases include options to extend, minimum annual rental payment increases, and requires the Organization to pay real estate taxes, insurance, and repairs.

Lease costs for the years ended December 31, 2023 were as follows:

	<u>2023</u>	<u>2022</u>
Finance lease costs	\$ 17,595	\$ 17,870
Operating lease cost	268,406	217,422
Short term leases	<u>92,839</u>	<u>104,548</u>
Total lease cost	<u>\$ 378,840</u>	<u>\$ 339,840</u>

Future minimum lease payments under non-cancellable leases are as follows as of December 31:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 17,748	\$ 165,744
2025	17,748	85,474
2026	7,888	88,260
2027	-	91,140
2028	-	54,153
Thereafter	<u>-</u>	<u>50,724</u>
Total lease payments	43,384	535,495
Less amount representing interest	<u>828</u>	<u>33,072</u>
Present value of lease liabilities	<u>\$ 42,556</u>	<u>\$ 502,423</u>

The weighted-average remaining lease term and discount rate for operating and financing leases was as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating leases - weighted average remaining lease term	56 months	46 months
Operating leases - weighted average discount rate	2.78%	1.64%
Finance leases - weighted average remaining lease term	30 months	42 months
Finance leases - weighted average discount rate	1.64%	1.64%

Three Rivers Community Action, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 14 - CONTINGENCIES AND COMMITMENTS

Three Rivers provides a self-insured short-term income continuation program to certain qualifying employees, which may provide 67% of an employee's weekly earnings up to a maximum of 12 weeks. Three Rivers paid out \$102,950 and \$111,217 in benefits under this program for 2023 and 2022, respectively.

Three Rivers is a reimbursing employer for Minnesota state unemployment insurance and must reimburse (pay) the state for unemployment benefits paid to former employees based on wages earned while in their employ. Three Rivers was a recipient of federal financial relief during both years, reducing the cost of unemployment benefits to the agency. Unemployment costs paid during 2023 and 2022 were \$59,723 and \$38,489, respectively.

Three Rivers and its partner, Bear Creek Development Center (BCDC), were awarded LIHTC from Minnesota Housing in December 2023 to construct Restoration Glen in Rochester, Minnesota. The project will develop a 48-unit apartment building with 1- 2- 3- and 4- bedroom units. 12 units will provide supportive housing for tenants who have a disability or who have experienced housing instability. The total development cost is approximately \$23.6 million. Primary sources include a \$2.9 million first mortgage, \$15.7 million in private equity, and \$3.7 million of federal HOME funds awarded through Minnesota Housing. Three Rivers and BCDC will be Co-Developers and Co-General Partners with benefits generally split 60% to Three Rivers and 40% to BCDC. Close of financing and construction start is expected in March of 2025.

NOTE 15 - DEVELOPER FEES ELIMINATED

In accordance with ASC 323-10-35-10, the consolidated financial statements eliminate fees earned for acting as the developer on multi-family housing projects where Three Rivers is the controlling partner. The fees earned by Three Rivers are capitalized as part of the partnership's depreciable asset on each property's individual financial statements. Eliminated developer fees were \$1,152,564 and \$1,190,638 for 2023, respectively.

NOTE 16 - SUBSEQUENT EVENTS

Three Rivers has a purchase agreement to acquire an office building located at 1810 30th Street NW in Faribault, MN. The building will serve as offices and classrooms for Rice County operations. The Three Rivers board has authorized a loan from Midwest Minnesota Community Development Corporation to finance the purchase. Expected closing date is in June 2024. Three Rivers will not renew the lease on its current Faribault location at Faribo Town Square, 201 S. Lyndale, which expires July 31, 2024.

Three Rivers applied for funding in April 2024 from the Federal Home Loan Bank of Des Moines for a \$3 million grant to purchase and rehabilitate Robinwood Manor which is a 51-unit senior housing site in Faribault, Minnesota. Robinwood was built in 1978 by the Faribault HRA through a legal entity, the Elderly Housing Corporation. Three Rivers has negotiated a purchase agreement to buy the property from the Faribault HRA contingent on FHLB funding. The HRA, in turn, has negotiated a purchase agreement to buy the property from the Elderly Housing Corporation contingent on the FHLB funding.

SUPPLEMENTARY INFORMATION

Three Rivers Community Action, Inc. and Subsidiaries
Consolidating Statement of Financial Position
As of December 31, 2023

	Three Rivers	Bridge Run Townhomes	Eagle Ridge Apartments	Fox Pointe Townhomes	Harvest Ridge Townhomes	Knollwood Apartments	North & South Oak Apartments
Assets							
Current assets							
Cash and cash equivalents	\$ 6,033,170	\$ 26,844	\$ 140,538	\$ 26,686	\$ 3,186	\$ 31,656	\$ 63,552
Grants receivable	1,899,750	-	-	-	-	-	-
Accounts receivable	1,309,519	9,812	-	6,135	44	8,757	27,676
Current portion of contracts receivable	57,492	-	-	-	-	-	-
Prepaid expenses	83,370	17,003	17,564	6,430	12,679	9,754	20,296
Total current assets	<u>9,383,301</u>	<u>53,659</u>	<u>158,102</u>	<u>39,251</u>	<u>15,909</u>	<u>50,167</u>	<u>111,524</u>
Restricted cash and cash equivalents	928,541	113,930	303,003	241,562	84,082	301,797	752,221
Contracts receivable, net	2,085,758	-	-	-	-	-	-
Other assets	772,888	766	-	45,818	-	27,188	5,817
Right of use assets - operating leases, net	493,571	-	-	-	-	-	-
Right of use assets - finance leases, net	41,928	-	-	-	-	-	-
Property and equipment, net	2,900,680	-	-	-	-	-	-
Affordable housing projects	12,935,010	1,362,755	2,554,817	7,250,795	1,246,917	3,217,808	3,355,831
Total assets	<u>\$ 29,541,677</u>	<u>\$ 1,531,110</u>	<u>\$ 3,015,922</u>	<u>\$ 7,577,426</u>	<u>\$ 1,346,908</u>	<u>\$ 3,596,960</u>	<u>\$ 4,225,393</u>
Liabilities and Net Assets							
Current liabilities							
Current portion of long-term debt	\$ 68,786	\$ 12,876	\$ 31,975	\$ 12,403	\$ 6,516	\$ 21,009	\$ 10,191
Current portion of operating lease liabilities	154,918	-	-	-	-	-	-
Current portion of finance lease liabilities	17,238	-	-	-	-	-	-
Accounts payable and accrued expenses	1,310,191	34,705	87,675	84,122	48,364	31,332	163,726
Deferred revenue	8,263	993	9,338	3,281	2,930	1,157	4,347
Grant advances	721,558	-	-	-	-	-	-
Total current liabilities	<u>2,280,954</u>	<u>48,574</u>	<u>128,988</u>	<u>99,806</u>	<u>57,810</u>	<u>53,498</u>	<u>178,264</u>
Long-term liabilities							
Accrued interest	25,544	79,351	214,189	-	177,391	-	99,807
Section 1602 deferred grant	-	210,093	-	-	-	-	-
Operating lease liabilities	347,505	-	-	-	-	-	-
Finance lease liabilities	25,318	-	-	-	-	-	-
Long-term debt, net	8,167,100	1,033,981	1,603,632	831,736	1,056,585	1,372,028	2,033,555
Total long-term liabilities	<u>8,565,467</u>	<u>1,323,425</u>	<u>1,817,821</u>	<u>831,736</u>	<u>1,233,976</u>	<u>1,372,028</u>	<u>2,133,362</u>
Total liabilities	<u>10,846,421</u>	<u>1,371,999</u>	<u>1,946,809</u>	<u>931,542</u>	<u>1,291,786</u>	<u>1,425,526</u>	<u>2,311,626</u>
Net assets (deficits)							
Without donor restrictions	18,695,256	159,111	1,069,113	271,806	55,122	(2,077)	(91)
Noncontrolling interest in consolidated subsidiaries	-	-	-	6,374,078	-	2,173,511	1,913,858
Total net assets (deficits)	<u>18,695,256</u>	<u>159,111</u>	<u>1,069,113</u>	<u>6,645,884</u>	<u>55,122</u>	<u>2,171,434</u>	<u>1,913,767</u>
Total liabilities and net assets	<u>\$ 29,541,677</u>	<u>\$ 1,531,110</u>	<u>\$ 3,015,922</u>	<u>\$ 7,577,426</u>	<u>\$ 1,346,908</u>	<u>\$ 3,596,960</u>	<u>\$ 4,225,393</u>

Prairiewood Townhomes	Ridgely Park Apartments	Riverwood Apartments	Spring Creek Townhomes	Spring Creek II Townhomes	Trailside of Albert Lea	Underwood Terrace	Wazuweeta Woods	Eliminations	Consolidated Total
\$ 51,164	\$ 39,258	\$ 11,273	\$ 157,553	\$ 8,524	\$ 813,547	\$ 3,091	\$ 15,516	\$ -	\$ 7,425,558
-	-	-	-	-	-	-	-	-	1,899,750
3,666	11,350	13,232	21,142	347,187	12,158	232,035	2,972	(4,000)	2,001,685
-	-	-	-	-	-	-	-	-	57,492
4,081	15,957	2,054	19,009	9,600	46,706	4,908	20,484	-	289,895
58,911	66,565	26,559	197,704	365,311	872,411	240,034	38,972	(4,000)	11,674,380
172,063	371,435	463,705	264,031	12,208	284,263	23,008	129,300	-	4,445,149
-	-	-	-	-	-	-	-	(1,239,582)	846,176
15,125	26,834	-	-	19,610	-	85,216	-	-	999,262
-	-	-	-	-	-	-	-	-	493,571
-	-	-	-	-	-	-	-	-	41,928
-	-	-	-	-	-	-	-	-	2,900,680
3,921,900	3,185,032	3,124,669	3,619,242	13,656,858	4,332,806	10,509,725	1,006,034	(3,912,113)	71,368,086
\$ 4,167,999	\$ 3,649,866	\$ 3,614,933	\$ 4,080,977	\$ 14,053,987	\$ 5,489,480	\$ 10,857,983	\$ 1,174,306	\$ (5,155,695)	\$ 92,769,232
\$ 5,935	\$ 14,270	\$ 18,656	\$ 17,324	\$ 7,138,253	\$ 43,423	\$ 6,897,469	\$ 39,532	\$ (277,868)	\$ 14,060,750
-	-	-	-	-	-	-	-	-	154,918
-	-	-	-	-	-	-	-	-	17,238
157,700	25,085	71,916	91,335	1,181,462	137,885	752,383	51,874	(4,000)	4,225,755
3,383	3,736	5,666	7,252	1,409	6,416	3,276	1,804	-	63,251
-	-	-	-	-	-	-	-	-	721,558
167,018	43,091	96,238	115,911	8,321,124	187,724	7,653,128	93,210	(281,868)	19,243,470
-	-	-	-	-	273,706	-	-	(99,807)	770,181
-	-	-	-	-	-	-	-	-	210,093
-	-	-	-	-	-	-	-	-	347,505
-	-	-	-	-	-	-	-	-	25,318
329,613	1,621,621	3,560,112	374,303	4,995,657	2,943,678	1,326,629	1,747,858	(861,907)	32,136,181
329,613	1,621,621	3,560,112	374,303	4,995,657	3,217,384	1,326,629	1,747,858	(961,714)	33,489,278
496,631	1,664,712	3,656,350	490,214	13,316,781	3,405,108	8,979,757	1,841,068	(1,243,582)	52,732,748
113,772	24,286	(41,417)	(207)	(23)	2,084,372	152,077	26,269	(3,912,113)	18,695,256
3,557,596	1,960,868	-	3,590,970	737,229	-	1,726,149	(693,031)	-	21,341,228
3,671,368	1,985,154	(41,417)	3,590,763	737,206	2,084,372	1,878,226	(666,762)	(3,912,113)	40,036,484
\$ 4,167,999	\$ 3,649,866	\$ 3,614,933	\$ 4,080,977	\$ 14,053,987	\$ 5,489,480	\$ 10,857,983	\$ 1,174,306	\$ (5,155,695)	\$ 92,769,232

Three Rivers Community Action, Inc. and Subsidiaries
Consolidating Statement of Activities
Year Ended December 31, 2023

	Three Rivers	Bridge Run Townhomes	Eagle Ridge Apartments	Fox Pointe Townhomes	Harvest Ridge Townhomes	Knollwood Apartments	North & South Oak Apartments
Revenue							
Federal grant revenue	\$ 7,553,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State grant revenue	6,505,765	-	-	-	-	-	-
Other grant revenue	603,612	-	-	-	-	-	-
Contributions	2,177,526	-	-	-	-	-	-
In-kind contributions	410,000	-	-	-	-	-	-
Other program revenue	1,635,557	75,468	14,440	27,492	1,874	3,255	12,208
Rental income	908,820	206,829	484,098	352,791	188,088	199,439	342,362
Investment income	163,743	7,742	13,025	2,969	3,353	4,772	6,187
Total revenue	<u>19,958,170</u>	<u>290,039</u>	<u>511,563</u>	<u>383,252</u>	<u>193,315</u>	<u>207,466</u>	<u>360,757</u>
Expenses							
Direct services	3,670,097	-	-	-	-	-	-
Salaries and wages	6,303,625	-	-	-	-	-	-
Fringe benefits	3,271,419	-	-	-	-	-	-
Training and travel	282,382	-	-	-	-	-	-
Telephone and technology	244,032	-	-	-	-	-	-
Office supplies	142,861	-	-	-	-	-	-
Space costs and utilities	590,617	-	-	-	-	-	-
Equipment and maintenance	365,419	-	-	-	-	-	-
Vehicle repairs and maintenance	744,160	-	-	-	-	-	-
Other costs	840,582	42,910	-	-	-	3,441	-
Housing partnerships	-	158,186	333,315	351,559	181,786	156,693	309,581
Depreciation and amortization	655,353	73,268	114,107	259,084	51,265	128,933	170,223
Interest	83,012	23,333	46,622	33,112	18,979	8,533	27,314
Total expenses	<u>17,193,559</u>	<u>297,697</u>	<u>494,044</u>	<u>643,755</u>	<u>252,030</u>	<u>297,600</u>	<u>507,118</u>
Total change in net assets before noncontrolling interest	2,764,611	(7,658)	17,519	(260,503)	(58,715)	(90,134)	(146,361)
Change in noncontrolling interest in consolidated subsidiaries	-	-	-	260,477	-	90,125	146,346
Total change in net assets	2,764,611	(7,658)	17,519	(26)	(58,715)	(9)	(15)
Net Assets (Deficits) Without Donor Restrictions							
Beginning of year	15,930,645	197,292	1,186,737	274,299	113,837	(2,068)	(76)
Capital contributions (distributions)	-	(30,523)	(135,143)	(2,467)	-	-	-
End of year	<u>\$ 18,695,256</u>	<u>\$ 159,111</u>	<u>\$ 1,069,113</u>	<u>\$ 271,806</u>	<u>\$ 55,122</u>	<u>\$ (2,077)</u>	<u>\$ (91)</u>
Noncontrolling Interest in Consolidated Subsidiaries							
Beginning of year	\$ -	\$ -	\$ -	\$ 6,637,291	\$ -	\$ 2,074,211	\$ 2,060,204
Change in noncontrolling interest in consolidated subsidiaries	-	-	-	(260,477)	-	(90,125)	(146,346)
Capital contributions (distributions)	-	-	-	(2,736)	-	189,425	-
Syndication costs	-	-	-	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,374,078</u>	<u>\$ -</u>	<u>\$ 2,173,511</u>	<u>\$ 1,913,858</u>

Prairiewood Townhomes	Ridgely Park Apartments	Riverwood Apartments	Spring Creek Townhomes	Spring Creek II Townhomes	Trailside of Albert Lea	Underwood Terrace	Wazuweeta Woods	Eliminations	Consolidated Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,553,147
-	-	-	-	-	-	-	-	-	6,505,765
-	-	-	-	-	-	-	-	-	603,612
-	-	-	-	-	-	-	-	-	2,177,526
-	-	-	-	-	-	-	-	-	410,000
3,482	9,389	7,944	34,628	-	36,410	1,896	29,399	(1,064,671)	828,771
341,840	235,935	318,803	301,059	755	965,577	33,054	244,487	(75,318)	5,048,619
7,409	8,083	17,471	2,802	2	7,699	2	5,386	-	250,645
<u>352,731</u>	<u>253,407</u>	<u>344,218</u>	<u>338,489</u>	<u>757</u>	<u>1,009,686</u>	<u>34,952</u>	<u>279,272</u>	<u>(1,139,989)</u>	<u>23,378,085</u>
-	-	-	-	-	-	-	-	-	3,670,097
-	-	-	-	-	-	-	-	(223,586)	6,080,039
-	-	-	-	-	-	-	-	(54,560)	3,216,859
-	-	-	-	-	-	-	-	-	282,382
-	-	-	-	-	-	-	-	-	244,032
-	-	-	-	-	-	-	-	-	142,861
-	-	-	-	-	-	-	-	-	590,617
-	-	-	-	-	-	-	-	-	365,419
-	-	-	-	-	-	-	-	-	744,160
-	-	-	-	-	-	-	-	(6,933)	880,000
299,699	184,919	261,940	241,743	85,569	709,509	78,591	199,213	(1,053,120)	2,499,183
243,950	148,699	120,540	220,671	212,788	301,577	98,576	58,025	-	2,857,059
15,375	32,066	12,602	19,270	28	96,874	90,912	28,912	-	536,944
<u>559,024</u>	<u>365,684</u>	<u>395,082</u>	<u>481,684</u>	<u>298,385</u>	<u>1,107,960</u>	<u>268,079</u>	<u>286,150</u>	<u>(1,338,199)</u>	<u>22,109,652</u>
(206,293)	(112,277)	(50,864)	(143,195)	(297,628)	(98,274)	(233,127)	(6,878)	198,210	1,268,433
206,272	112,266	-	143,181	297,598	-	233,104	6,809	-	1,496,178
(21)	(11)	(50,864)	(14)	(30)	(98,274)	(23)	(69)	198,210	2,764,611
113,793	24,297	9,447	(193)	7	2,320,095	152,100	26,505	(4,416,072)	15,930,645
-	-	-	-	-	(137,449)	-	(167)	305,749	-
<u>\$ 113,772</u>	<u>\$ 24,286</u>	<u>\$ (41,417)</u>	<u>\$ (207)</u>	<u>\$ (23)</u>	<u>\$ 2,084,372</u>	<u>\$ 152,077</u>	<u>\$ 26,269</u>	<u>\$ (3,912,113)</u>	<u>\$ 18,695,256</u>
\$ 3,763,868	\$ 1,942,877	\$ -	\$ 3,734,273	\$ 1,084,546	\$ -	\$ 1,819,365	\$ (669,724)	\$ -	\$ 22,446,911
(206,272)	(112,266)	-	(143,181)	(297,598)	-	(233,104)	(6,809)	-	(1,496,178)
-	130,257	-	(122)	-	-	161,708	(16,498)	-	462,034
-	-	-	-	(49,719)	-	(21,820)	-	-	(71,539)
<u>\$ 3,557,596</u>	<u>\$ 1,960,868</u>	<u>\$ -</u>	<u>\$ 3,590,970</u>	<u>\$ 737,229</u>	<u>\$ -</u>	<u>\$ 1,726,149</u>	<u>\$ (693,031)</u>	<u>\$ -</u>	<u>\$ 21,341,228</u>

Three Rivers Community Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Fund #	Pass-Through Grantor	Cluster/Program Title	Assistance Listing No.	Agency or Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture						
911		Rural Rental Housing Loans - Clover Patch	10.415			\$ 457,541
911		Rural Rental Housing Loans - Clover Patch	10.415			379,549
911		Rural Rental Housing Loans - Clover Patch	10.415			1,111,678
912		Rural Rental Housing Loans - Southside Apartments	10.415			132,305
914		Rural Rental Housing Loans - Northbridge Apartments of Albert Lea	10.415			1,208,897
		Total Assistance Listing No. 10.415				<u>3,289,970</u>
110,140	MDE	Child and Adult Care Food Program (CACFP)	10.558	441603		<u>95,617</u>
		<i>SNAP Cluster:</i>				
610	MN DHS	State Administrative Matching Grants for SNAP	10.561	1000003565		57,022
		Total SNAP Cluster and Total Assistance Listing No. 10.561				<u>57,022</u>
Total U.S. Department of Agriculture						<u>3,442,609</u>
U.S. Housing and Urban Development						
690	MN DHS	Emergency Solutions Grant Program - RH	14.231	3000086897		<u>23,344</u>
914	MHFA	Home Investment Partnerships Program	14.239	Northbridge Apartments		1,000,000
915	MHFA	Home Investment Partnerships Program	14.239	Northern Oaks		320,000
		Total Assistance Listing No. 14.239				<u>1,320,000</u>
630		Continuum of Care Program - Permanent Supportive Housing	14.267			170,599
670		Continuum of Care Program - Rapid Rehousing	14.267		\$ 87,750	228,098
		Total Assistance Listing No. 14.267			<u>87,750</u>	<u>398,697</u>
Total U.S. Housing and Urban Development						<u>\$ 87,750 1,742,041</u>
U.S. Department of Transportation						
730	MN DOT	Formula Grants for Rural Areas and Tribal Transit Program	20.509	MN-2021-036-01		<u>2,152,241</u>
Total U.S. Department of Transportation						<u>2,152,241</u>
U.S. Department of Energy						
510	MN DOC	Weatherization Assistance for Low-Income Persons	81.042	A2500		238,935
	MN DOC	Weatherization Assistance for Low-Income Persons	81.042	N/A		36,553
Total U.S. Department of Energy						<u>275,488</u>
U.S. Department of Health and Human Services						
		<i>Aging Cluster:</i>				
720	SEMAAA	Title III, Part B Grants for Supportive Services and Senior Centers	93.044	310-21-003B-063		31,293
720	SEMAAA	Covid-19 Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A		9,029
410	SEMAAA	Title III, Part C, Nutrition Services	93.045	310-23-03C2-002		175,483
410	SEMAAA	COVID-19 Title III, Part C, Nutrition Services	93.045	310-023-ARC2-002		36,882
410	SEMAAA	Meals on Wheels	93.053	310-23-03C2-002		20,384
		Total Aging Cluster				<u>273,071</u>
420	SEMAAA	National Family Caregiver Support, Title III, Part E	93.052	310-20-003E-005		<u>70,609</u>
	MN DOC	Low-Income Household Water Assistance Program	93.499	N/A		30,252
	MN DOC	Low-Income Household Water Assistance Program - Direct Client Benefits	93.499	N/A		359,578
		Total Assistance Listing No. 93.499				<u>389,830</u>
540	MN DOC	Low-Income Home Energy Assistance	93.568	A2113,A2117		533,114
580	MN DOC	Low-Income Home Energy Assistance	93.568	1563		906,589
	MN DOC	Low-Income Home Energy Assistance - Direct Client Benefits	93.568	N/A		4,897,771
		Total Assistance Listing No. 93.568				<u>6,337,474</u>
230	MN DHS	Community Services Block Grant	93.569	3000085933		<u>397,100</u>
		<i>Head Start Cluster</i>				
140		Head Start	93.600			2,020,199
162		COVID-19 Head Start	93.600			67,803
		Total Head Start Cluster and Assistance Listing No. 93.600				<u>2,088,002</u>
120	MN Health	Maternal, Infant, and Early Childhood Home Visiting Grant	93.870			252,000
Total U.S. Department of Health and Human Services						<u>9,808,086</u>
Total Expenditures of Federal Awards					<u>\$ 87,750</u>	<u>\$ 17,420,465</u>

Three Rivers Community Action, Inc.
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 Three Rivers Community Action, Inc. under programs of the federal government for the year ended December 31, 2023. 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 Three Rivers Community Action, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Three Rivers Community Action, Inc.

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

Three Rivers Community Action, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - PASS-THROUGH ENTITY IDENTIFICATION NUMBERS

Several of the programs, grants and/or awards included in the Schedule are missing the pass-through entity identification numbers. The missing numbers are due to the pass-through entities not providing the pass-through entity identification numbers.

**Three Rivers Community Action, Inc.
Notes to Schedule of Expenditures of Federal Awards**

NOTE 5 - FEDERAL LOAN PROGRAMS

The federal loan programs balances and transactions relating to these programs are included in the Organization's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding consists of the following as of December 31, 2023:

Program Title	Assistance Listing Number	Amount Outstanding
Rural Rental Housing Loan - Clover Patch	10.415	\$ 457,541
Rural Rental Housing Loan - Clover Patch	10.415	379,549
Rural Rental Housing Loan - Clover Patch	10.415	1,099,504
Rural Rental Housing Loan - Southside Apartments	10.415	129,409
Rural Rental Housing Loan - Northbridge Apartments of Albert Lea	10.415	1,197,914
HOME Investment Partnerships Program	14.239	1,320,000

Three Rivers Community Action, Inc. is obligated on four Rental Assistance and Interest Credit loans. Three Rivers Community Action, Inc. is also obligated on a HOME Targeted deferred loan. These loans require significant continuing compliance, primarily eligibility, and allowability.

NOTE 6 - RECONCILIATION TO THE CONSOLIDATED STATEMENT OF ACTIVITIES

Total expenditures of federal awards	\$ 17,420,465
Less direct client benefits - assistance listing numbers 93.568, 93.499	(5,257,348)
Less beginning balance rural rental housing loans - Clover Patch	(1,948,768)
Less beginning balance rural rental housing loan - Southside Apartments	(132,305)
Less beginning balance rural rental housing loan - Northbridge Apartments of Albert Lea	(1,208,897)
Less beginning balance HOME investment partnerships program	<u>(1,320,000)</u>
Total federal grant revenue per consolidated statement of activities	<u>\$ 7,553,147</u>



**Independent Auditor's 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***

Board of Directors
Three Rivers Community Action, Inc.
Zumbrota, 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 consolidated financial statements of Three Rivers Community Action, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements and have issued our report thereon dated May 15, 2024. The financial statements of the subsidiaries were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Three Rivers Community Action, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Three Rivers Community Action, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Community Action, 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 Three Rivers Community Action, Inc.'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.

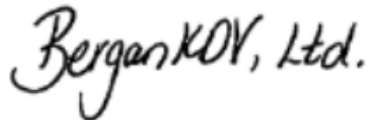
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Three Rivers Community Action, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Bergan KOV, Ltd.".

St. Cloud, Minnesota
May 15, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Three Rivers Community Action, Inc.
Zumbrota, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Three Rivers Community Action, 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 Three Rivers Community Action, Inc.'s major federal programs for the year ended December 31, 2023. Three Rivers Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Three Rivers Community Action, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Three Rivers Community Action, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Three Rivers Community Action, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Three Rivers Community Action, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Three Rivers Community Action, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Three Rivers Community Action, Inc.'s compliance with the requirements of each major federal program.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Three Rivers Community Action, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Three Rivers Community Action, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Three Rivers Community Action, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Bergan KOV, Ltd.

St. Cloud, Minnesota
May 15, 2024

**Three Rivers Community Action, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2023**

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?	No
• 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?	No
• 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

Assistance Listing No.:	14.239
Name of Federal Program or Cluster	Home Investment Partnerships Program
Assistance Listing No.:	20.509
Name of Federal Program or Cluster	Formula Grants for Rural Areas and Tribal Transit Program
Assistance Listing No.:	93.568
Name of Federal Program or Cluster	Low-Income Home Energy Assistance Program
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low risk auditee?	Yes

**Three Rivers Community Action, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.