

Three Rivers Community Action, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

December 31, 2021 and 2020



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 Three Rivers Community Action, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Three Rivers Community Action, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the changes in its net assets and its 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). For Three Rivers Community Action, Inc. we also conducted the audits in accordance with 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 Consolidated 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 Three Rivers Community Action, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are 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 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, 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 Three Rivers Community Action, Inc. 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 Three Rivers Community Action, Inc. 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, 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.

BergankDV, Ltd.

St. Cloud, Minnesota

June 15, 2022

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 7,168,810	\$ 6,565,951
Investments	-	85,130
Grants receivable	757,755	1,768,547
Accounts receivable	1,482,338	778,520
Current portion of contracts receivable	102,177	95,852
Prepaid expenses	286,307	184,829
Total current assets	9,797,387	9,478,829
Restricted cash and cash equivalents	4,051,438	3,155,806
Contracts receivable, net	644,119	797,837
Other assets	706,955	782,416
Affordable housing projects	44,205,727	38,657,473
Property and equipment, net	3,499,979	3,642,319
Total assets	\$ 62,905,605	\$ 56,514,680
Liabilities and Net Assets		
Current liabilities		
Lines of credit	\$ 745,436	\$ 105,216
Current portion of long-term debt	1,192,358	223,763
Accounts payable and accrued expenses	3,428,355	2,242,688
Deferred revenue	66,067	52,072
Grant advances	119,644	1,996,809
Total current liabilities	5,551,860	4,620,548
Long-term liabilities		
Accrued interest	710,104	638,606
Section 1602 deferred grant	350,157	420,189
Long-term debt, net	24,411,912	18,748,711
Total long-term liabilities	25,472,173	19,807,506
Total liabilities	31,024,033	24,428,054
Net assets		
Without donor restrictions	14,618,285	14,213,043
Noncontrolling interest in consolidated subsidiaries	17,263,287	17,873,583
Total net assets	31,881,572	32,086,626
Total liabilities and net assets	\$ 62,905,605	\$ 56,514,680

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Activities
Years Ended December 2021 and 2020

	2021	2020
Revenue		
Federal grant revenue	\$ 5,597,069	\$ 9,626,410
State grant revenue	6,863,997	3,142,180
Other grant revenue	145,769	138,126
Contributions	217,497	361,244
Other program revenue	1,041,796	1,326,422
Rental income	4,252,314	3,822,720
Investment income	38,292	44,587
Total revenue	18,156,734	18,461,689
Expenses		
Program services		
Housing	5,579,450	5,319,203
Transportation	4,272,110	4,182,232
Early childhood	3,417,641	3,232,766
Community development	4,312,817	5,087,162
Senior services	391,323	380,227
Management and general	785,781	628,314
Total expenses	18,759,122	18,829,904
Total change in net assets before noncontrolling interest	(602,388)	(368,215)
Change in noncontrolling interest in consolidated subsidiaries	1,007,630	898,308
Total change in net assets	405,242	530,093
Net Assets Without Donor Restrictions		
Beginning of year	14,213,043	13,438,450
Transfer of non-controlling interest	-	244,500
End of year	\$ 14,618,285	\$ 14,213,043

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services						Management and General	Total
	Housing	Transportation	Early Childhood	Community Development	Senior Services	Total		
Direct services	\$ 9,730	\$ 68,723	\$ 610,021	\$ 1,844,542	\$ 172,387	\$ 2,705,403	\$ -	\$ 2,705,403
Salaries and wages	186,828	2,022,879	1,365,266	1,494,244	113,759	5,182,976	425,658	5,608,634
Fringe benefits	69,625	913,397	755,124	695,695	80,965	2,514,806	208,572	2,723,378
Training and travel	9,332	40,853	59,830	20,859	1,620	132,494	15,820	148,314
Telephone and technology	26,037	82,514	107,506	100,690	6,879	323,626	2,583	326,209
Office supplies	6,066	44,764	60,883	48,121	4,301	164,135	2,204	166,339
Space costs and utilities	87,900	47,434	264,718	67,859	7,336	475,247	25,241	500,488
Equipment and maintenance	195,955	49,821	41,541	351	-	287,668	-	287,668
Vehicle repairs and maintenance	-	541,700	-	-	-	541,700	-	541,700
Other costs	244,156	139,996	125,079	35,154	4,076	548,461	105,703	654,164
Housing partnerships	2,371,085	-	-	-	-	2,371,085	-	2,371,085
Depreciation and amortization	1,898,549	320,029	27,673	5,302	-	2,251,553	-	2,251,553
Interest	474,187	-	-	-	-	474,187	-	474,187
Total	<u>\$ 5,579,450</u>	<u>\$ 4,272,110</u>	<u>\$ 3,417,641</u>	<u>\$ 4,312,817</u>	<u>\$ 391,323</u>	<u>\$ 17,973,341</u>	<u>\$ 785,781</u>	<u>\$ 18,759,122</u>

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services						Management and General	Total
	Housing	Transportation	Early Childhood	Community Development	Senior Services	Total		
Direct services	\$ 3,195	\$ 75,471	\$ 475,757	\$ 2,980,975	\$ 177,198	\$ 3,712,596	\$ -	\$ 3,712,596
Salaries and wages	256,214	1,999,047	1,398,353	1,263,994	110,585	5,028,193	381,636	5,409,829
Fringe benefits	99,322	939,718	735,000	564,302	70,933	2,409,275	179,370	2,588,645
Training and travel	6,617	38,927	39,595	20,734	1,617	107,490	11,508	118,998
Telephone and technology	22,771	78,582	99,428	75,209	6,043	282,033	1,837	283,870
Office supplies	8,218	38,268	169,995	51,577	3,535	271,593	1,697	273,290
Space costs and utilities	104,492	62,904	265,201	66,972	7,734	507,303	6,221	513,524
Equipment and maintenance	341,351	21,298	-	6,895	-	369,544	-	369,544
Vehicle repairs and maintenance	-	414,095	874	-	-	414,969	-	414,969
Other costs	257,417	157,037	45,708	55,192	2,582	517,936	46,045	563,981
Housing partnerships	1,972,106	-	-	-	-	1,972,106	-	1,972,106
Depreciation and amortization	1,827,402	356,885	2,855	1,312	-	2,188,454	-	2,188,454
Interest	420,098	-	-	-	-	420,098	-	420,098
Total	<u>\$ 5,319,203</u>	<u>\$ 4,182,232</u>	<u>\$ 3,232,766</u>	<u>\$ 5,087,162</u>	<u>\$ 380,227</u>	<u>\$ 18,201,590</u>	<u>\$ 628,314</u>	<u>\$ 18,829,904</u>

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows - Operating Activities		
Change in net assets	\$ 405,242	\$ 774,593
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Noncontrolling interest change in net assets	(1,007,630)	(898,305)
Depreciation	418,942	406,231
Amortization - other assets	17,676	18,521
Amortization - debt issuance costs	26,339	21,914
Depreciation - affordable housing projects	1,815,113	1,763,027
Gain on sale of property and equipment	-	(10,531)
Change in affordable housing projects at equity method	7,351	(29,977)
Unrealized gain on investments	-	(8,282)
Gain on disposal of affordable housing projects	(8,524)	-
Section 1602 grant revenue	(70,032)	(70,032)
Change in operating assets and liabilities		
Grants receivable	1,010,792	(316,509)
Accounts receivable	(703,818)	175,876
Contracts receivable	147,393	253,712
Prepaid expenses	(101,478)	9,801
Other assets	57,785	-
Accounts payable and accrued expenses	121,562	(155,279)
Deferred revenue	13,995	16,945
Grant advances	(1,877,165)	1,737,053
Accrued interest	71,498	35,237
Net cash flows - operating activities	345,041	3,723,995
Cash Flows - Investing Activities		
Sale of investments	85,130	-
Purchase of property and equipment	(276,602)	(1,125,635)
Proceeds from sale of property and equipment	-	10,531
Purchase of affordable housing projects	(5,092,699)	(1,271,681)
Proceeds from sale of affordable housing projects	-	6,325
Net cash flows - investing activities	(5,284,171)	(2,380,460)
Cash Flows - Financing Activities		
Cash paid for debt financing costs	(141,176)	(18,043)
Proceeds from long-term debt	5,867,567	2,630,544
Principal payments on long-term debt	(326,324)	(1,021,109)
Proceeds on lines of credit	640,220	105,216
Partner contributions	452,806	471,801
Transfer of non-controlling interest	-	(244,500)
Partner distributions and syndication fees	(55,472)	(20,639)
Net cash flows - financing activities	6,437,621	1,903,270
Net change in cash, cash equivalents and restricted cash	1,498,491	3,246,805
Cash, Cash Equivalents and Restricted Cash		
Beginning of year	9,721,757	6,474,952
End of year	\$ 11,220,248	\$ 9,721,757
Reconciliation of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	\$ 7,168,810	\$ 6,565,951
Restricted cash and cash equivalents	4,051,438	3,155,806
Total end of year cash, cash equivalents and restricted cash	\$ 11,220,248	\$ 9,721,757
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 402,689	\$ 384,861
Debt assumed for purchases of affordable housing projects	1,205,390	-
Affordable housing projects additions included in accounts payable	1,064,105	-

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 Senior 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.

These 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 and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Ridgely Park Apartments Limited Partnership, Riverwood Apartments Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Bridge Run Townhomes, LLC

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, LP

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, LP transferred to Three Rivers Development, LLC. Three Rivers is the sole member of the LLC.

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. 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)

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. Three Rivers is the sole member of the 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.

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.

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.

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)

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 single member of the LLC.

Spring Creek Townhomes

Three Rivers 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.

Trailside of Albert Lea LP

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.

Wazuweeta Woods

Three Rivers 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 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)

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 and Northbridge Apartments of Albert Lea. Operations are accounted for under Three Rivers.

Northern Oaks Townhomes

Three Rivers completed construction on a larger 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. Northern Oaks is owned solely by Three Rivers and is valued at cost.

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. Southside is owned solely by Three Rivers and is valued at cost.

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. Deerwood is owned solely by Three Rivers and is valued at cost.

Northbridge Apartments of Albert Lea

Three Rivers organized a limited liability company (Northbridge) to acquire, rehabilitate, own, maintain, and operate a 48-unit rental housing project located in Albert Lea, Minnesota. Three Rivers is the single member of the LLC. Northbridge is owned solely by Three Rivers and is valued at cost.

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.

Hayfield Greens Partnership

Three Rivers entered into a general partnership agreement with James J. and Kristin K. Fiebiger (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.

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)

Opportunity Homes, LLC

Three Rivers entered into a limited partnership agreement with Ron Carlsen (Opportunity Homes) to construct, develop, acquire, hold for investment, lease, and sell five (5) 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.

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 and cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market. 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.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected within investment income in the consolidated statement of activities.

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. As of December 31, 2021 and 2020, 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. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. Based upon prior experience and continual assessments of future collections, the Organization estimates there was no allowance for doubtful accounts necessary as of December 31, 2021 and 2020.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Concentration of Credit Risk

The Organization had significant funding sources that provided approximately the following amount of total grant and contributions revenue for the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Minnesota Department of Transportation	32%	27%
Department of Human Services, Office of Head Start	16%	15%
Minnesota Housing Finance Agency	15%	24%
Minnesota Department of Commerce	10%	8%

The Organization had significant funding sources that accounted for approximately the following amount of total accounts receivable as of December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Brewery Creek Apartments LLC	45%	13%
Riverwood Apartments LLC	15%	29%
Spring Creek II Townhomes LLC	15%	15%
Knollwood Apartments LLC	12%	5%
Ridgely Park Apartments LLC	0%	18%

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.

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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

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, revenues, gains, and other support 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.

Revenue Recognition

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a 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, 2021 and 2020, conditional promises to give of approximately \$12,055,385 and \$15,474,487, for which no amounts have been received in advance, have not been recognized in the accompanying consolidated financial statements.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 when 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.

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 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.

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 present 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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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. The Organization is not currently under examination by any taxing jurisdiction.

Recently Issued Accounting Pronouncements

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right-of-use" asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through June 15, 2022, the date which the consolidated financial statements were available to be issued.

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

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,168,810	\$ 6,565,951
Investments	<u>-</u>	<u>85,130</u>
 Total financial assets available for general expenditures	 <u>\$ 7,168,810</u>	 <u>\$ 6,651,081</u>

The Organization does not have a formal policy, but generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating reserve - required by partnership agreements	\$ 1,401,404	\$ 1,311,246
Unemployment trust account	-	166,577
Replacement cost reserve	2,041,874	1,213,176
Tenant security deposits	330,926	288,149
Tenant protection reserve	36,352	-
Residual receipts reserve	86,239	73,532
Development cost escrow	-	9,929
Real estate tax and insurance escrow	<u>154,643</u>	<u>93,197</u>
 Total restricted cash and cash equivalents	 <u>\$ 4,051,438</u>	 <u>\$ 3,155,806</u>

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

NOTE 4 – CONTRACTS RECEIVABLE

	2021	2020
Total contracts receivable	\$ 746,296	\$ 893,689
Less current portion	(102,177)	(95,852)
Contracts receivable, net of current portion	\$ 644,119	\$ 797,837

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

2022		\$ 102,177
2023		81,768
2024		81,768
2025		82,391
2026		62,544
2027 and thereafter		335,648
Total contracts receivable		\$ 746,296

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, 2021 and 2020:

	2021	2020
Bridge Run Townhomes, LLC	\$ 1,599	\$ 2,016
Fox Pointe Townhomes	54,982	59,563
Knollwood Apartments	20,028	-
North & South Oak Apartments	9,696	11,635
Prairiewood Townhomes	21,175	24,200
Ridgely Park Apartments	23,348	-
Spring Creek Townhomes	9,103	14,305
Trailside of Albert Lea LP	-	2,323
Clover Patch Apartments	37,677	12,838
Northbridge Apartments of Albert Lea	1,146	1,335
Rochester Multi-Family Project	528,201	528,201
Other single family housing developments	-	126,000
Total other assets	\$ 706,955	\$ 782,416

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

NOTE 6 – AFFORDABLE HOUSING PROJECTS

Affordable housing projects consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 5,722,961	\$ 5,192,960
Building and improvements	53,475,422	47,612,303
Furniture and equipment	2,938,009	2,638,907
Construction in progress	656,989	-
	<u>62,793,381</u>	<u>55,444,170</u>
Accumulated depreciation	<u>(18,587,654)</u>	<u>(16,786,697)</u>
 Total	 <u><u>\$ 44,205,727</u></u>	 <u><u>\$ 38,657,473</u></u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 110,925	\$ 110,925
Building and improvements	3,583,790	3,541,715
Furniture and equipment	2,645,365	2,823,289
Construction in progress	189,523	86,458
	<u>6,529,603</u>	<u>6,562,387</u>
Accumulated depreciation	<u>(3,029,624)</u>	<u>(2,920,068)</u>
 Property and equipment, net	 <u><u>\$ 3,499,979</u></u>	 <u><u>\$ 3,642,319</u></u>

NOTE 8 – LINES 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%. Any unpaid interest and principal are due at the end of the term. As of December 31, 2021 there was an outstanding balance of \$557,908.

In February 2020, Three Rivers obtained a \$350,000 line of credit for pre-development costs for Spring Creek II project which is due December 2022 with interest at 4.25%. As of December 31, 2021 and 2020 there was an outstanding balance of \$187,528 and \$105,216.

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

NOTE 9 – LONG-TERM DEBT

	2021	2020
Three Rivers Community Action, Inc.		
Marco Technologies, capital copier lease. Paid in full.	\$ -	\$ 4,863
Loeffler, capital copier lease.	66,511	-
SWMHP, EMHI downpayment assistance of \$2,500 per client, interest at 0%, payable at sale of property.	2,500	7,500
First Homes, mortgage payable, secured by seven single family lots in Plainview, MN, interest at 0%. Paid in full.	-	108,000
Minnesota Housing Equity Group, promisory note for up to \$900,000 including interest at 4.5% for predevelopment costs on Knollwood Apartments. Loan paid off January 26, 2022.	853,607	-
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.	624,080	650,564
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.	839,877	848,086
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	1,079,990
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.	1,064,755	66,879

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

NOTE 9 – LONG-TERM DEBT (CONTINUED)

	2021	2020
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.	\$ 1,227,021	\$ 1,241,251
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.	97,567	104,645
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.	52,268	57,345
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.	135,087	137,760
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)

	2021	2020
Bridge Run Townhomes, LLC		
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.	402,799	413,722
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, LP		
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.	595,036	621,953
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, 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.	751,188	762,108
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)

	2021	2020
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.	131,003	136,440
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.	518,587	-
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.	868,795	878,145
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.	250,379	255,339
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.	185,996	-
GMHF, construction loan up to \$1,450,00 for the rehabilitation of Ridgely Park Apartments, including interest at 4.25%, payable in full on August 31, 2023.	212,361	-
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	664,340	-

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

NOTE 9 – LONG-TERM DEBT (CONTINUED)

	2021	2020
Riverwood Apartments		
USDA Rural Development, mortgage payable, secured by Rivers Edge & Woodknoll (Riverwood) Apartments, payable in monthly installments of \$1,062, including interest at 2.5%, payable in full on January 28, 2051.	\$ 496,558	\$ -
MHFA, PARIF mortgage payable, secured by Riverwood Apartments, interest at 0%, payable in full on February 1, 2051.	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.	287,946	-
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.	426,498	441,373
Trailside of Albert Lea LP		
Minnwest Bank, mortgage payable, secured by Trailside of Albert Lea LP, payable in monthly installments of \$12,850, including interest at 7.48%, payable in full on December 10, 2024.	1,437,124	1,480,555
MHFA HOME, mortgage payable, secured by Trailside of Albert Lea LP, interest at 0%, 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 0%, 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
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.	546,705	579,987
MHFA, Challenge Program, secured by Wazuweeta Woods, interest at 0%, payable in full on July 1, 2032.	567,701	567,701

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

NOTE 9 – LONG-TERM DEBT (CONTINUED)

	2021	2020
Wazuweeta Woods (Continued)		
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
	25,830,123	19,114,566
Less unamortized debt issuance costs	(225,853)	(142,092)
Less current portion	(1,192,358)	(223,763)
Total long-term debt	\$ 24,411,912	\$ 18,748,711

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

2022	\$ 1,192,358
2023	498,093
2024	1,578,940
2025	253,517
2026	575,741
2027 and thereafter	21,731,474
Total	\$ 25,830,123

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.

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

NOTE 11 – OPERATING LEASES

Three Rivers is subject to non-cancelable operating leases covering primarily premises and office equipment with lease periods expiring between 2022 and 2026. Total lease expense was \$495,349 and \$434,365 for 2021 and 2020, respectively. Minimum future lease obligations are as follows the years ended December 31:

2022		\$ 326,921
2023		262,569
2024		188,625
2025		52,796
2026		<u>11,250</u>
Total		<u>\$ 842,161</u>

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 \$225,577 and \$209,168 to the Plan for 2021 and 2020, respectively.

NOTE 13 – CONTINGENCIES AND COMMITMENTS

Three Rivers provides a self-insured short-term disability program to certain qualifying employees, which may provide 67% of an employee's weekly earnings up to a maximum of 12 weeks. During 2020, the plan was temporarily expanded to offer 3 weeks of pay to all employees for wages lost due to COVID-19 that were not covered by other federal programs. Three Rivers paid out \$55,108 and \$40,187 in benefits under this program for 2021 and 2020, respectively.

Three Rivers is a reimbursing employer for Minnesota state unemployment insurance and in 2020, participated in a grantor trust to cover unemployment insurance claims. On January 1, 2021, Three Rivers terminated the arrangement with the trust and established an internal reserve for unemployment claims. Three Rivers must reimburse (pay) the state for unemployment benefits paid to former employees based on wages earned while in their employ.

Three Rivers has entered into an MOU with One Roof Community Housing to act as a co-developer on the Brewery Creek multi-family housing project in Duluth, MN. Three Rivers agrees to act as the lead (“named”) applicant to Minnesota Housing Finance Agency for award of Low Income Housing Tax Credits, and pay for costs incurred prior to funding, to be reimbursed at the initial project closing. Three Rivers will also act as the lead in financial modeling, funding source analysis, and managing project closing and construction of the project, in return for 40% of the final developer’s fee. In 2021, Three Rivers formed a separate entity, Three Creeks LLC, to serve as co-General Partner and exit the partnership according to the LP agreement. There was no activity in Three Creeks LLC in 2021.

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

NOTE 14 – SUBSEQUENT EVENTS

Three Rivers was awarded loan funds and low-income housing tax credits (LIHTC) from Minnesota Housing in 2019 to construct Spring Creek II Townhomes in Northfield, MN, adjacent to our existing Spring Creek project. This project will develop 32 – 2, 3- and 4-bedroom townhomes, housing families at or below 60% of the Area Median Income (AMI). The total development cost is approximately \$11 million. Primary funding sources include a \$6.7 million federal HOME loan, \$2.8 million syndicator equity, and \$1.5 million in permanent local loans and other rebates. Close of financing and beginning of construction are planned for the 3rd Quarter of 2022.

Three Rivers was awarded loan funds and low-income housing tax credits (LIHTC) from Minnesota Housing in 2021 to construct Underwood Terrace in Lake City, MN. The project will develop a 32-unit apartment building with 1- 2- and 3- bedroom units. 25% of units will be designated for tenants with a disability who have experienced housing instability. The total development cost is approximately \$10 million. Primary funding sources include a \$325,000 first mortgage and \$9,540,950 in private equity. Other funding sources include TIF and sales tax rebates. Close of financing and beginning of construction are planned for the 3rd Quarter of 2022.

The limited partnership interest in Trailside Apartments of Albert Lea Limited Partnership transferred from NCD Corporate Equity to Three Rivers Development, LLC on January 1, 2022. Three Rivers is the sole member of the LLC.

The limited partnership interest in Knollwood Apartments Limited Partnership transferred from Three Rivers Development, LLC to Minnesota Housing Equity Group on January 26, 2022. Three Rivers Development, LLC acted as the temporary limited partner to bridge the timing delay in the purchase agreement with the prior owners of Knollwood Apartments and the earliest possible closing date with funders.

In March of 2022, Three Rivers received notice that credits applied to its state unemployment insurance account were final. Billing resumed in April of 2022. Billing had been suspended since March of 2020 due to the Covid-19 pandemic. During 2020 and 2021, Three Rivers followed a consistent costing policy, charging Federal and non-Federal program for projected unemployment expenses based on reasonable expense estimates from prior years, and projected salary expenses. Credit balances remaining to be refunded to program as of December 31, 2021 are \$141,532 and included in accounts payable and accrued expenses. All funders have been contacted and are in the process of receiving credits or refunds.

SUPPLEMENTARY INFORMATION

Three Rivers Community Action, Inc. and Subsidiaries
Consolidating Statement of Financial Position
As of December 31, 2021

	Three Rivers	Bridge Run Townhomes, LLC	Eagle Ridge Apartments, LP	Fox Pointe Townhomes	Harvest Ridge Townhomes	Knollwood Apartments	North & South Oak Apartments
Assets							
Current assets							
Cash and cash equivalents	\$ 5,442,705	\$ 28,134	\$ 173,476	\$ 83,399	\$ 10,196	\$ 19,859	\$ 134,232
Grants receivable	757,755	-	-	-	-	-	-
Accounts receivable	1,335,114	13,617	3,189	3,843	1,856	11,880	24,894
Current portion of contracts receivable	102,177	-	-	-	-	-	-
Prepaid expenses	155,167	11,711	12,455	4,958	8,428	2,765	15,446
Total current assets	<u>7,792,918</u>	<u>53,462</u>	<u>189,120</u>	<u>92,200</u>	<u>20,480</u>	<u>34,504</u>	<u>174,572</u>
Restricted cash and cash equivalents	837,685	202,105	293,919	221,582	93,836	241,775	639,082
Contracts receivable, net	2,381,883	-	-	-	-	-	-
Other assets	567,024	1,599	-	54,982	-	20,028	9,696
Affordable housing projects	10,814,844	1,443,859	2,783,030	7,759,800	1,349,447	1,370,307	3,692,398
Property and equipment, net	3,499,979	-	-	-	-	-	-
Total assets	<u>\$ 25,894,333</u>	<u>\$ 1,701,025</u>	<u>\$ 3,266,069</u>	<u>\$ 8,128,564</u>	<u>\$ 1,463,763</u>	<u>\$ 1,666,614</u>	<u>\$ 4,515,748</u>
Liabilities and Net Assets							
Current liabilities							
Lines of credit	\$ 745,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	932,001	11,537	28,509	11,394	5,775	905,337	9,622
Accounts payable and accrued expenses	1,362,669	31,771	79,859	141,403	45,775	291,001	140,238
Deferred revenue	10,798	704	9,502	4,322	2,542	3,298	2,342
Grant advances	119,644	-	-	-	-	-	-
Total current liabilities	<u>3,170,548</u>	<u>44,012</u>	<u>117,870</u>	<u>157,119</u>	<u>54,092</u>	<u>1,199,636</u>	<u>152,202</u>
Long-term liabilities							
Accrued interest	20,978	79,460	191,755	2,660	158,150	2,273	72,251
Section 1602 deferred grant	-	350,157	-	-	-	-	-
Long-term debt, net	8,084,522	1,054,626	1,658,744	852,623	1,065,513	466,857	2,053,968
Total long-term liabilities	<u>8,105,500</u>	<u>1,484,243</u>	<u>1,850,499</u>	<u>855,283</u>	<u>1,223,663</u>	<u>469,130</u>	<u>2,126,219</u>
Total liabilities	<u>11,276,048</u>	<u>1,528,255</u>	<u>1,968,369</u>	<u>1,012,402</u>	<u>1,277,755</u>	<u>1,668,766</u>	<u>2,278,421</u>
Net assets (deficits)							
Without donor restrictions	14,618,285	172,770	1,297,700	274,319	186,008	(2,152)	(58)
Noncontrolling interest in consolidated subsidiaries	-	-	-	6,841,843	-	-	2,237,385
Total net assets	<u>14,618,285</u>	<u>172,770</u>	<u>1,297,700</u>	<u>7,116,162</u>	<u>186,008</u>	<u>(2,152)</u>	<u>2,237,327</u>
Total liabilities and net assets	<u>\$ 25,894,333</u>	<u>\$ 1,701,025</u>	<u>\$ 3,266,069</u>	<u>\$ 8,128,564</u>	<u>\$ 1,463,763</u>	<u>\$ 1,666,614</u>	<u>\$ 4,515,748</u>

<u>Prairiewood Townhomes</u>	<u>Ridgely Park Apartments</u>	<u>Riverwood Apartments</u>	<u>Spring Creek Townhomes</u>	<u>Trailside of Albert Lea LP</u>	<u>Wazuweeta Woods</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
\$ 35,256	\$ 30,131	\$ 256,958	\$ 131,244	\$ 765,656	\$ 57,564	\$ -	\$ 7,168,810
-	-	-	-	-	-	-	757,755
438	20,228	32,408	22,590	9,250	8,031	(5,000)	1,482,338
-	-	-	-	-	-	-	102,177
3,877	12,048	1,576	11,734	32,151	13,991	-	286,307
<u>39,571</u>	<u>62,407</u>	<u>290,942</u>	<u>165,568</u>	<u>807,057</u>	<u>79,586</u>	<u>(5,000)</u>	<u>9,797,387</u>
182,779	296,875	354,942	244,551	326,582	115,725	-	4,051,438
-	-	-	-	-	-	(1,737,764)	644,119
21,175	23,348	-	9,103	-	-	-	706,955
4,405,449	1,446,560	3,359,780	4,052,782	4,882,504	1,122,085	(4,277,118)	44,205,727
-	-	-	-	-	-	-	3,499,979
<u>\$ 4,648,974</u>	<u>\$ 1,829,190</u>	<u>\$ 4,005,664</u>	<u>\$ 4,472,004</u>	<u>\$ 6,016,143</u>	<u>\$ 1,317,396</u>	<u>\$ (6,019,882)</u>	<u>\$ 62,905,605</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 745,436
5,265	13,158	23,523	15,836	48,761	35,247	(853,607)	1,192,358
204,009	386,590	470,928	96,411	119,357	58,344	-	3,428,355
5,282	4,074	6,723	1,680	10,792	4,008	-	66,067
-	-	-	-	-	-	-	119,644
<u>214,556</u>	<u>403,822</u>	<u>501,174</u>	<u>113,927</u>	<u>178,910</u>	<u>97,599</u>	<u>(853,607)</u>	<u>5,551,860</u>
1,252	1,550	705	1,120	247,580	2,620	(72,250)	710,104
-	-	-	-	-	-	-	350,157
339,925	973,308	3,431,680	406,270	3,017,097	1,823,686	(816,907)	24,411,912
341,177	974,858	3,432,385	407,390	3,264,677	1,826,306	(889,157)	25,472,173
<u>555,733</u>	<u>1,378,680</u>	<u>3,933,559</u>	<u>521,317</u>	<u>3,443,587</u>	<u>1,923,905</u>	<u>(1,742,764)</u>	<u>31,024,033</u>
113,815	24,311	72,105	(172)	2,111,600	26,872	(4,277,118)	14,618,285
3,979,426	426,199	-	3,950,859	460,956	(633,381)	-	17,263,287
<u>4,093,241</u>	<u>450,510</u>	<u>72,105</u>	<u>3,950,687</u>	<u>2,572,556</u>	<u>(606,509)</u>	<u>(4,277,118)</u>	<u>31,881,572</u>
<u>\$ 4,648,974</u>	<u>\$ 1,829,190</u>	<u>\$ 4,005,664</u>	<u>\$ 4,472,004</u>	<u>\$ 6,016,143</u>	<u>\$ 1,317,396</u>	<u>\$ (6,019,882)</u>	<u>\$ 62,905,605</u>

Three Rivers Community Action, Inc. and Subsidiaries
Consolidating Statement of Activities
Year Ended December 31, 2021

	Three Rivers	Bridge Run Townhomes, LLC	Eagle Ridge Apartments, LP	Fox Pointe Townhomes	Harvest Ridge Townhomes	Knollwood Apartments
Revenue						
Federal grant revenue	\$ 5,597,069	\$ -	\$ -	\$ -	\$ -	\$ -
State grant revenue	6,863,997	-	-	-	-	-
Other grant revenue	93,769	-	-	-	-	-
Contributions	217,497	-	-	-	-	-
Other program revenue	1,527,922	72,886	13,586	30,911	1,516	752
Rental income	787,211	188,602	439,743	325,280	173,191	26,033
Investment income	32,480	871	1,263	113	398	59
Total revenue	<u>15,119,945</u>	<u>262,359</u>	<u>454,592</u>	<u>356,304</u>	<u>175,105</u>	<u>26,844</u>
Expenses						
Direct services	2,705,403	-	-	-	-	-
Salaries and wages	5,818,388	-	-	-	-	-
Fringe benefits	2,817,615	-	-	-	-	-
Training and travel	148,314	-	-	-	-	-
Telephone and technology	326,209	-	-	-	-	-
Office supplies	166,339	-	-	-	-	-
Space costs and utilities	500,488	-	-	-	-	-
Equipment and maintenance	287,668	-	-	-	-	-
Vehicle repairs and maintenance	541,700	-	-	-	-	-
Other costs	654,164	-	-	-	-	-
Housing partnerships	-	127,435	235,973	233,534	160,496	21,277
Depreciation and amortization	662,180	73,251	114,107	259,083	51,266	5,670
Interest	86,235	24,879	50,163	35,935	19,734	2,049
Total expenses	<u>14,714,703</u>	<u>225,565</u>	<u>400,243</u>	<u>528,552</u>	<u>231,496</u>	<u>28,996</u>
Total change in net assets before noncontrolling interest	405,242	36,794	54,349	(172,248)	(56,391)	(2,152)
Change in noncontrolling interest in consolidated subsidiaries	-	-	-	172,231	-	-
Total change in net assets	405,242	36,794	54,349	(17)	(56,391)	(2,152)
Net Assets Without Donor Restrictions						
Beginning of year	14,213,043	166,499	1,356,529	274,336	244,376	-
Capital contributions	-	-	-	-	-	-
Distributions	-	(30,523)	(113,178)	-	(1,977)	-
End of year	<u>\$ 14,618,285</u>	<u>\$ 172,770</u>	<u>\$ 1,297,700</u>	<u>\$ 274,319</u>	<u>\$ 186,008</u>	<u>\$ (2,152)</u>

North & South Oak Apartments	Prairiewood Townhomes	Ridgely Park Apartments	Riverwood Apartments	Spring Creek Townhomes	Trailside of Albert Lea LP	Wazuweeta Woods	Eliminations	Consolidated Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,597,069
-	-	-	-	-	-	-	-	6,863,997
-	-	-	52,000	-	-	-	-	145,769
-	-	-	-	-	-	-	-	217,497
20,560	3,584	3,698	8,034	37,931	20,428	27,346	(727,358)	1,041,796
323,439	313,615	67,829	231,614	275,123	919,423	230,403	(49,192)	4,252,314
55	9	366	1,085	523	535	535	-	38,292
<u>344,054</u>	<u>317,208</u>	<u>71,893</u>	<u>292,733</u>	<u>313,577</u>	<u>940,386</u>	<u>258,284</u>	<u>(776,550)</u>	<u>18,156,734</u>
-	-	-	-	-	-	-	-	2,705,403
-	-	-	-	-	-	-	(209,754)	5,608,634
-	-	-	-	-	-	-	(94,237)	2,723,378
-	-	-	-	-	-	-	-	148,314
-	-	-	-	-	-	-	-	326,209
-	-	-	-	-	-	-	-	166,339
-	-	-	-	-	-	-	-	500,488
-	-	-	-	-	-	-	-	287,668
-	-	-	-	-	-	-	-	541,700
-	-	-	-	-	-	-	-	654,164
280,746	305,975	49,335	172,393	258,110	730,792	162,924	(367,905)	2,371,085
170,222	245,649	8,431	40,221	221,754	342,316	57,403	-	2,251,553
27,857	16,025	20,735	8,014	20,706	128,826	33,029	-	474,187
<u>478,825</u>	<u>567,649</u>	<u>78,501</u>	<u>220,628</u>	<u>500,570</u>	<u>1,201,934</u>	<u>253,356</u>	<u>(671,896)</u>	<u>18,759,122</u>
(134,771)	(250,441)	(6,608)	72,105	(186,993)	(261,548)	4,928	(104,654)	(602,388)
<u>134,758</u>	<u>250,416</u>	<u>6,607</u>	<u>-</u>	<u>186,975</u>	<u>261,522</u>	<u>(4,879)</u>	<u>-</u>	<u>1,007,630</u>
(13)	(25)	(1)	72,105	(18)	(26)	49	(104,654)	405,242
(45)	113,840	-	-	(154)	2,111,629	26,901	(4,293,911)	14,213,043
-	-	24,312	-	-	-	-	(24,312)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(78)</u>	<u>145,759</u>	<u>-</u>
<u>\$ (58)</u>	<u>\$ 113,815</u>	<u>\$ 24,311</u>	<u>\$ 72,105</u>	<u>\$ (172)</u>	<u>\$ 2,111,600</u>	<u>\$ 26,872</u>	<u>\$ (4,277,118)</u>	<u>\$ 14,618,285</u>

Three Rivers Community Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

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						
600		Rural Rental Housing Loan - Clover Patch	10.415			\$ 463,551
600		Rural Rental Housing Loan - Clover Patch	10.415			384,535
600		Rural Rental Housing Loan - Clover Patch	10.415			1,064,755
601		Rural Rental Housing Loan - Southside Apartments	10.415			137,760
603		Rural Rental Housing Loan - Northbridge Apartments of Albert Lea	10.415			1,241,251
		Total Assistance Listing No. 10.415				<u>3,291,852</u>
110, 111, 141, 150	MDE	Child and Adult Care Food Program (CACFP)	10.558	441603		79,777
		<i>SNAP Cluster:</i>				
851,852	MN DHS	State Administrative Matching Grants for SNAP	10.561	1000003565		59,103
		Total SNAP Cluster and Total Assistance Listing No. 10.561				<u>59,103</u>
Total U.S. Department of Agriculture						<u>3,430,732</u>
U.S. Housing and Urban Development						
294	Rochester	COVID-19 Community Development Block Grants - Northern Oaks	14.228	N/A		10,500
699, 691	MN DHS	Emergency Solutions Grant Program - RH	14.231	3000086897		64,211
603	MHFA	Home Investment Partnerships Program	14.239	Northbridge Apartments		1,000,000
607	MHFA	Home Investment Partnerships Program	14.239	Northern Oaks		320,000
		Total Assistance Listing No. 14.239				<u>1,320,000</u>
621	Red Wing HRA	Permanent Supportive Housing	14.267	MN0246L5K		505
630,631		Permanent Supportive Housing	14.267	MN0306L5K		159,304
641		Continuum of Care Planning Grant	14.267	MN0380L5K		64,998
200, 201		Continuum of Care Coordinated Entry	14.267	MN0366L5K	\$ 47,544	187,294
210, 211		CoC Coordinated Entry DV Navigator	14.267	MN0464D5K		21,724
670, 671		Rapid Rehousing	14.267	MN0065L5K		97,565
		Total Assistance Listing No. 14.267				<u>145,109</u>
Total U.S. Housing and Urban Development						<u>2,058,441</u>
U.S. Department of Transportation						
730	MN DOT	COVID-19 Public Transportation	20.509	MN-2019-018-00		49,849
Total U.S. Department of Transportation						<u>49,849</u>
U.S. Department of the Treasury						
150	MN DHS	COVID-19 Coronavirus Relief Fund	21.019	N/A		50,984
290	MHFA	COVID-19 Coronavirus Relief Fund	21.019	N/A		274,945
		Total Assistance Listing No. 21.019				<u>325,929</u>
292	MHFA	COVID-19 Emergency Rental Assistance Program	21.023	N/A		227,390
Total U.S. Department of the Treasury						<u>553,319</u>
U.S. Department of Energy						
510, 511	MN DOE	Weatherization Assistance for Low-Income Persons	81.042	A2500		159,167
Total U.S. Department of Energy						<u>159,167</u>
U.S. Department of Health and Human Services						
		<i>Aging Cluster:</i>				
721	SEMAAA	Title III, Part B Grants for Supportive Services and Senior Centers	93.044	310-21-003B-063		31,293
711	SEMAAA	COVID-19 Title III, Part B Grants for Supportive Services and Senior Centers	93.044	310-21-03C2-001		24,535
		Total Assistance Listing No. 93.044				<u>55,828</u>
711	SEMAAA	Title III, Part C Nutrition Services	93.045	310-21-03C2-001		81,305
711	SEMAAA	COVID-19 Title III, Part C Nutrition Services	93.045	310-21-03C2-001		72,296
		Total Assistance Listing No. 93.045				<u>153,601</u>
711	SEMAAA	Meals on Wheels	93.053	310-21-03C2-001		24,772
		Total Aging Cluster				<u>234,201</u>
700	SEMAAA	National Family Caregiver Support, Title III, Part E	93.052	310-20-003E-005		58,443
031, 039	MN DHS	Community Services Block Grant	93.569	198158		364,822
30	MN DHS	COVID-19 Community Services Block Grant	93.569	N/A		313,870
		Total Assistance Listing No. 93.568				<u>678,692</u>
540, 541	MN DOC	Low-Income Home Energy Assistance	93.568	A2111, A2114		256,753
521	MN DOC	COVID-19 Low-Income Home Energy Assistance	93.568	A2113		9,976
561, 562, 571, 572	MN DOC	COVID-19 Low-Income Home Energy Assistance	93.568	1563		362,161
551	MN DOC	Low-Income Home Energy Assistance	93.568	1563		382,737
	MN DOC	Low-Income Home Energy Assistance - Direct Client Benefits	93.568	N/A		6,250,453
		Total Assistance Listing No. 93.569				<u>7,262,080</u>
		<i>Head Start Cluster</i>				
110, 141		Head Start	93.600			1,833,375
110, 161, 162		COVID-19 Head Start	93.600			141,075
		Total Head Start Cluster and Assistance Listing No. 93.600				<u>1,974,450</u>
Total U.S. Department of Health and Human Services						<u>10,207,866</u>
Total Expenditures of Federal Awards					\$ 145,109	<u>\$16,459,374</u>

See notes to schedule of expenditures of federal awards.

Three Rivers Community Action, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

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, 2021. 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.

NOTE 3 – INDIRECT COST RATE

Three Rivers Community Action, Inc. has elected not to use the 10% de minimis indirect cost rate 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
Year Ended December 31, 2021

NOTE 5 – FEDERAL LOAN PROGRAMS

The federal loan programs balances and transactions relating to these programs are included in 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, 2021:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount Outstanding</u>
Rural Rental Housing Loan - Clover Patch	10.415	\$ 459,064
Rural Rental Housing Loan - Clover Patch	10.415	380,813
Rural Rental Housing Loan - Clover Patch	10.415	1,064,755
Rural Rental Housing Loan - Southside Apartments	10.415	135,087
Rural Rental Housing Loan - Northbridge Apartments of Albert Lea	10.415	1,227,021
Home Investment Partnerships Program	14.239	1,320,000

The Organization is obligated on three Rental Assistance and Interest Credit loans. The Organization 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	\$ 16,459,374
Less direct client benefits - assistance listing number 93.568	(6,250,453)
Less beginning balance Clover Patch rural rental housing loans	(914,965)
Less beginning balance Southside rural rental housing loan	(137,760)
Less beginning balance Northbridge rural rental housing loan	(1,241,251)
Less beginning balance HOME investment partnerships program	(1,320,000)
Less loan distribution Clover Patch rural rental housing	(997,876)
Total federal grant revenue per consolidated statement of activities	<u><u>\$ 5,597,069</u></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, 2021, 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 June 15, 2022. 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.

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.

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

BergankDV, Ltd.

St. Cloud, Minnesota
June 15, 2022

**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, 2021. 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, 2021.

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 major 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.

Report on Internal Control over Compliance (Continued)

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.

BergankDV, Ltd.

St. Cloud, Minnesota
June 15, 2022

**Three Rivers Community Action, Inc.
Schedule of Findings and Questioned Costs**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(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.:	21.019
Name of Federal Program or Cluster	Coronavirus Relief Fund
Assistance Listing No.:	93.569
Name of Federal Program or Cluster	Low-Income Home Energy Assistance Program
Assistance Listing No.:	93.600
Name of Federal Program or Cluster	Head Start Cluster
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**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.