

COMMUNITY ACTION DULUTH, INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021 AND 2020

COMMUNITY ACTION DULUTH, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statement of Functional Expenses - September 30, 2021	6
Statement of Functional Expenses - September 30, 2020	7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 15
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	16 – 17
Notes to Schedule of Expenditures of Federal Awards	18
INDEPENDENT AUDITOR'S REPORTS:	
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 <i>Government Auditing Standards</i>	19 – 20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	21 – 22
Schedule of Findings and Questioned Costs	23 – 24
Corrective Action Plan	25

DULUTH OFFICE
302 W Superior St
Ste 200
Duluth, MN 55802

P 218-727-6846
F 218-720-6999



SUPERIOR OFFICE
1511 Tower Avenue
Superior, WI 54880

P 715-392-5101
F 715-392-6600

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Action Duluth, Inc.
Duluth, MN

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Duluth, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Duluth, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2022, on our consideration of Community Action Duluth, 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 the Community Action Duluth, 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 Community Action Duluth, Inc.'s internal control over financial reporting and compliance.

Esterbrooks Certified Public Accountants, Ltd.

Duluth, Minnesota
August 11, 2022

COMMUNITY ACTION DULUTH, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 118,475	\$ 391,481
Grants receivable	442,754	225,676
Prepaid expenses	<u>3,900</u>	<u>3,900</u>
Total current assets	<u>565,129</u>	<u>621,057</u>
 PROPERTY AND EQUIPMENT		
Property and equipment	211,825	211,825
Less: Accumulated depreciation	<u>(165,142)</u>	<u>(142,091)</u>
Net property and equipment	<u>46,683</u>	<u>69,734</u>
Total Assets	<u>\$ 611,812</u>	<u>\$ 690,791</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 60,471	\$ 21,944
Accrued expenses	103,311	95,127
Refundable advances	74,277	113,621
Participant funds held	<u>9,407</u>	<u>9,407</u>
Total current liabilities	<u>247,466</u>	<u>240,099</u>
 NET ASSETS		
Without donor restrictions	295,980	298,147
With donor restrictions	<u>68,366</u>	<u>152,545</u>
Total net assets	<u>364,346</u>	<u>450,692</u>
Total Liabilities and Net Assets	<u>\$ 611,812</u>	<u>\$ 690,791</u>

See notes to financial statements.

COMMUNITY ACTION DULUTH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUE			
Public support			
Federal grants	\$ 1,104,233	\$ -	\$ 1,104,233
State, county, and city grants	913,178	-	913,178
Foundation and local grants	114,782	106,340	221,122
Contributions	57,890	-	57,890
Total public support	<u>2,190,083</u>	<u>106,340</u>	<u>2,296,423</u>
Net assets released from restriction	<u>190,519</u>	<u>(190,519)</u>	<u>-</u>
Other revenue			
Program income	31,387	-	31,387
Interest and dividends	1,673	-	1,673
Miscellaneous	4,256	-	4,256
Total other revenue	<u>37,316</u>	<u>-</u>	<u>37,316</u>
Total public support and other revenue	<u>2,417,918</u>	<u>(84,179)</u>	<u>2,333,739</u>
EXPENSES			
Program services			
Employment services	309,009	-	309,009
Community engagement	468,377	-	468,377
Transportation and financial services	622,455	-	622,455
Green jobs	443,329	-	443,329
Tax site	202,276	-	202,276
Total program services	<u>2,045,446</u>	<u>-</u>	<u>2,045,446</u>
Supporting services:			
Management and general	364,610	-	364,610
Fundraising	10,029	-	10,029
Total supporting services	<u>374,639</u>	<u>-</u>	<u>374,639</u>
Total expenses	<u>2,420,085</u>	<u>-</u>	<u>2,420,085</u>
Change in net assets	(2,167)	(84,179)	(86,346)
Net assets, beginning of year	<u>298,147</u>	<u>152,545</u>	<u>450,692</u>
Net assets, end of year	<u>\$ 295,980</u>	<u>\$ 68,366</u>	<u>\$ 364,346</u>

See notes to financial statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,128,670	\$ -	\$ 1,128,670
404,495	-	404,495
157,937	140,814	298,751
57,295	-	57,295
<u>1,748,397</u>	<u>140,814</u>	<u>1,889,211</u>
<u>208,623</u>	<u>(208,623)</u>	<u>-</u>
23,953	-	23,953
1,868	-	1,868
8,814	-	8,814
<u>34,635</u>	<u>-</u>	<u>34,635</u>
<u>1,991,655</u>	<u>(67,809)</u>	<u>1,923,846</u>
333,170	-	333,170
181,720	-	181,720
518,358	-	518,358
440,719	-	440,719
137,146	-	137,146
<u>1,611,113</u>	<u>-</u>	<u>1,611,113</u>
261,587	-	261,587
<u>13,839</u>	<u>-</u>	<u>13,839</u>
<u>275,426</u>	<u>-</u>	<u>275,426</u>
<u>1,886,539</u>	<u>-</u>	<u>1,886,539</u>
105,116	(67,809)	37,307
<u>193,031</u>	<u>220,354</u>	<u>413,385</u>
<u>\$ 298,147</u>	<u>\$ 152,545</u>	<u>\$ 450,692</u>

See notes to financial statements.

COMMUNITY ACTION DULUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services					Supporting Services				
	Employment Services	Community Engagement	Transportation and Financial		Tax Site	Total program services	Management and general		Fundraising	Total
			Services	Green Jobs						
Salaries	\$ 163,174	\$ 268,555	\$ 353,586	\$ 262,253	\$ 139,416	\$ 1,186,984	\$ 120,228	\$ 9,255	\$ 1,316,467	
Employee benefits	29,000	23,944	74,788	33,691	11,741	173,164	15,777	-	188,941	
Payroll taxes	13,961	24,832	31,934	23,752	12,887	107,366	10,523	774	118,663	
Total salaries and related costs	206,135	317,331	460,308	319,696	164,044	1,467,514	146,528	10,029	1,624,071	
Consultants, contract, and professional services	11,404	45,283	15,535	7,539	2,863	82,624	101,963	-	184,587	
Travel	-	1,603	300	9,011	175	11,089	3,937	-	15,026	
Occupancy	9,584	4,654	36,933	13,882	8,749	73,802	20,943	-	94,745	
Consumable supplies	206	79,138	12,232	71,713	868	164,157	7,277	-	171,434	
Insurance	1,098	8,117	2,381	6,802	950	19,348	17,498	-	36,846	
Memberships	5,114	-	715	35	-	5,864	15,506	-	21,370	
Client assistance	12,018	-	21,159	-	-	33,177	148	-	33,325	
Transportation support	11,507	-	15,083	-	-	26,590	-	-	26,590	
Meetings and training	2,290	1,086	1,247	1,639	519	6,781	8,339	-	15,120	
Equipment rental and maintenance	41,526	4,462	43,781	3,167	20,987	113,923	28,571	-	142,494	
Postage	772	-	307	13	618	1,710	1,106	-	2,816	
Printing and publications	124	95	438	-	1,023	1,680	2,060	-	3,740	
Telephone	483	323	2,372	1,337	683	5,198	1,057	-	6,255	
Advertising and public relations	-	-	139	-	-	139	-	-	139	
Grants returned	86	-	-	-	-	86	-	-	86	
Vehicle lease	-	3,204	-	2,985	-	6,189	-	-	6,189	
Miscellaneous	539	1,488	1,758	2,523	-	6,308	5,893	-	12,201	
Total expenses before depreciation	302,886	466,784	614,688	440,342	201,479	2,026,179	360,826	10,029	2,397,034	
Depreciation	6,123	1,593	7,767	2,987	797	19,267	3,784	-	23,051	
Total functional expenses	<u>\$ 309,009</u>	<u>\$ 468,377</u>	<u>\$ 622,455</u>	<u>\$ 443,329</u>	<u>\$ 202,276</u>	<u>\$ 2,045,446</u>	<u>\$ 364,610</u>	<u>\$ 10,029</u>	<u>\$ 2,420,085</u>	

See notes to financial statements.

COMMUNITY ACTION DULUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services					Supporting Services			
	Employment Services	Community Engagement	Transportation and Financial		Tax Site	Total program services	Management and general		Total
			Services	Green Jobs			Fundraising		
Salaries	\$214,902	\$29,419	\$272,942	\$283,091	\$102,350	\$ 902,704	\$ 122,685	\$ 9,208	\$1,034,597
Employee benefits	22,646	3,774	87,686	37,629	7,109	158,844	3,874	-	162,718
Payroll taxes	15,254	2,688	23,913	25,255	9,435	76,545	10,869	773	88,187
Total salaries and related costs	252,802	35,881	384,541	345,975	118,894	1,138,093	137,428	9,981	1,285,502
Consultants, contract, and professional services	6,817	72,460	24,500	2,845	798	107,420	34,397	-	141,817
Travel	955	53	2,238	7,173	178	10,597	1,783	23	12,403
Occupancy	14,424	1,135	37,145	18,626	5,687	77,017	17,370	-	94,387
Consumable supplies	4,813	7,869	6,849	33,046	1,896	54,473	4,464	-	58,937
Insurance	-	-	-	-	-	-	12,312	-	12,312
Memberships	-	-	-	105	-	105	15,506	-	15,611
Client assistance	5,308	5,000	4,087	-	-	14,395	319	-	14,714
Transportation support	8,529	40	8,424	-	-	16,993	-	-	16,993
Meetings and training	26,269	875	2,080	1,877	1,907	33,008	7,478	3,599	44,085
Equipment rental and maintenance	8,363	49,950	29,820	3,026	4,205	95,364	21,015	-	116,379
Postage	-	-	-	-	4	4	550	-	554
Printing and publications	64	63	625	63	2,126	2,941	403	123	3,467
Telephone	856	-	3,195	951	357	5,359	1,088	-	6,447
Advertising and public relations	26	-	121	-	20	167	198	-	365
Grants returned	-	-	7,407	15,000	-	22,407	-	-	22,407
Vehicle lease	-	5,515	-	3,415	-	8,930	-	-	8,930
Miscellaneous	1,566	1,611	1,143	3,103	440	7,863	4,264	113	12,240
Total expenses before depreciation	330,792	180,452	512,175	435,205	136,512	1,595,136	258,575	13,839	1,867,550
Depreciation	2,378	1,268	6,183	5,514	634	15,977	3,012	-	18,989
Total functional expenses	<u>\$ 333,170</u>	<u>\$ 181,720</u>	<u>\$ 518,358</u>	<u>\$ 440,719</u>	<u>\$ 137,146</u>	<u>\$1,611,113</u>	<u>\$ 261,587</u>	<u>\$ 13,839</u>	<u>\$1,886,539</u>

See notes to financial statements.

COMMUNITY ACTION DULUTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (86,346)	\$ 37,307
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,051	18,989
(Increase) decrease in current assets:		
Grant receivable	(217,078)	54,693
Prepaid expenses	-	35,894
Increase (decrease) in current liabilities:		
Accounts payable	38,527	(5,173)
Accrued liabilities	8,184	32,303
Refundable advances	(39,344)	78,601
Participant funds held	-	7
Net cash provided (used) by operating activities	(273,006)	252,621
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(30,000)
Net cash used by investing activities	-	(30,000)
Net (decrease) increase in cash and cash equivalents	(273,006)	222,621
Cash and cash equivalents, beginning of year	391,481	168,860
Cash and cash equivalents, end of year	\$ 118,475	\$ 391,481
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid during the year for interest	\$ -	\$ 160

See notes to financial statements.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Community Action Duluth, Inc. (Organization) a nonprofit corporation, operates a variety of federal, state, and locally funded programs providing assistance to low-income individuals. The primary mission of the Organization is to use innovative strategies to mobilize low-income individuals and the broader community to build assets that prevent poverty, create equality, and strengthen our social fabric.

Community Action Duluth, Inc. is the sole owner of a limited liability company, Green Duluth, LLC, which was organized on June 8, 2010. There was no activity in this LLC during the years ended September 30, 2021 and 2020.

A summary of the Organization's significant accounting policies follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

Cash

For purposes of the statements of cash flows, cash and cash equivalents include checking and savings accounts, cash on hand, and certificates of deposit. The certificates of deposit bear interest from 0.599 to 1.936 percent and have maturities of twenty-four months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Grants Receivable

These are amounts due for grants from private and governmental entities. Management has evaluated outstanding balances at year-end and believes the amounts are fully collectible and a valuation allowance is not necessary.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment

Purchased property and equipment is carried at cost, with normal maintenance and repair items charged to operating expense when incurred. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets. It is the Organization's policy to capitalize property and equipment with a cost of \$5,000 or more.

Revenue Recognition

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization and are recognized at a point in time. Revenue is recognized when goods or services are provided to a client, and it is not required to provide additional goods or services.

Contribution Revenue

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grant Revenue

The Organization has received several federal, state, county, and other grants that are accounted for as contributions. Government grants and contracts are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$514,272 and \$1,169,654 that have not been recognized at September 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

Participant Funds Held

Funds collected and held for participants are reported as a participant funds held.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under similar provisions of Minnesota law. The Organization is not subject to unrelated business income tax on any of its revenues. Accordingly, no provision has been made for income tax expense in the financial statements.

Uncertain Tax Positions

The Organization follows the recognition requirements of uncertain tax positions as required by generally accepted accounting principles and has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. As of September 30, 2021 and 2020, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities generally for tax years before 2018.

Advertising Costs

The Organization expenses advertising costs as incurred.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 11, 2022 which is the date the financial statements were available to be issued.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in certificates of deposit. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$75,000 which it could draw upon.

As of September 30, 2021 and 2020, financial assets due within one year of the balance sheet date for general expenditures are as follows:

	2021	2020
Financial assets:		
Cash	\$ 118,475	\$ 391,481
Grants receivable	442,754	225,676
Total financial assets available within one year	561,229	617,157
Less amounts unavailable for general expenditures within one year:		
Participant funds held	(9,407)	(9,407)
Donor-imposed restrictions	(68,366)	(152,545)
Financial assets available to meet cash needs for general expenditures within one year	\$ 483,456	\$ 455,205

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at September 30:

	2021	2020
Cash	\$ 36,549	\$ 310,811
Certificates of deposit	81,926	80,670
Total	\$ 118,475	\$ 391,481

4. PROPERTY AND EQUIPMENT:

A summary of property and equipment is as follows as of September 30, 2021 and 2020:

2021	Estimated Life	Cost	Accumulated Depreciation	Net
Office and program furniture and equipment	3- 10 years	\$ 211,825	\$ 165,142	\$ 46,683
2020	Estimated Life	Cost	Accumulated Depreciation	Net
Office and program furniture and equipment	3- 10 years	\$ 211,825	\$ 142,091	\$ 69,734

Depreciation expense for the years ended September 30, 2021 and 2020, was \$23,051 and \$18,989, respectively.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

5. LINE OF CREDIT:

The Organization has a revolving bank credit line with a local bank in the amount of \$75,000 in total available credit and interest payable at 4% that matures February 26, 2025. At September 30, 2021 and 2020 there was no balance outstanding.

6. PAYCHECK PROTECTION PROGRAM:

The Organization received a loan of \$245,500 under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$1,372 and \$227,317 as grant revenue for the years ended September 30, 2021 and 2020, respectively. The remaining balance of \$16,811 is included in refundable advances. Any portion not forgiven is required to be repaid, plus interest accrued at 1% per annum, in monthly payments. Principal and interest payments will be required through the maturity date, April 28, 2022.

7. NET ASSETS WITH DONOR RESTRICTION:

Net assets with donor restriction as of September 30, 2021 and 2020 are available for the following purposes:

	Restricted for	2021	2020
Greater Green Bay Community Foundation	Community Construction	\$ 2,346	\$ -
LKJ Foundation	VITA	19,974	-
CN Railroad	Stream Corps	6,236	6,236
City of Duluth	Mechanics that Mentor	5,000	5,000
US Bank	Common Cents	2,000	2,000
Ordean Foundation	Jumpstart	13,380	-
LISC	Connect Forward	218	99,543
Junior League	Seeds of Success	514	777
DSACF	Jumpstart	4,734	4,734
DSACF	Seeds of Success	-	25,814
Essentia Health	Farmers Market	13,964	-
Essentia Health	CNA program	-	8,441
Total		<u>\$ 68,366</u>	<u>\$ 152,545</u>

The above donor restricted net assets are included cash in the statement of financial position.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

8. RETIREMENT PLAN:

All non-probationary employees of the Organization who work a minimum of 1,248 hours during the Organization's fiscal year are eligible to participate in a voluntary self-directed retirement plan authorized under Section 403(b) of the Internal Revenue Code. The Organization makes a contribution equal to 5 percent of an employee's annual gross wage and employees vest immediately upon entering the plan. The Organization's contributions to the Plan for the years ended September 30, 2021 and 2020, were \$36,810 and \$27,848, respectively.

9. OPERATING LEASE COMMITMENT:

On December 21, 2017 the Organization extended the original lease to rent office and program space plus the use of the kitchen and cafeteria space and additional expansion space with monthly rent payments of \$4,858.88 and annual increases as defined by the lease, capped at 5%. This lease expires to April 21, 2023. Total rental expense for the years ended September 30, 2021 and 2020 related to this lease was \$62,631 and \$61,610, respectively.

The Organization leased two vehicles under operating leases which expired in 2021 and began a new lease on August 14, 2020 for one vehicle which expires July 14, 2023. The lease expense for the year ended September 30, 2021 and 2020 was \$6,189 and \$8,930, respectively.

The future anticipated annual lease payments are as follows:

<u>Year Ending September 30,</u>	
2022	\$ 74,770
2023	28,150
2024	1,592
Total	<u>\$ 104,512</u>

10. CONCENTRATION OF CREDIT RISK:

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At September 30, 2021 and 2020, there was \$164,677 and \$46,670 in excess of insurance, respectively. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

11. PENDING ACCOUNTING STANDARDS:

The Financial Accounting Standards Board (FASB) has issued several accounting standards updates not yet implemented by the Organization. Listed below are the accounting standards updates which may impact future financial statements of the Organization.

COMMUNITY ACTION DULUTH, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

11. PENDING ACCOUNTING STANDARDS (CONTINUED):

ASU No. 2016-02, *Leases*. The amendments in this ASU, issued February 2016, are to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. The ASU is effective for fiscal years beginning after December 15, 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on its financial statements.

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION DULUTH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
SNAP Cluster				
Pass-through State of Minnesota Department of Human Services:				
Supplemental Nutrition Assistance Program (SNAP)				
Administrative Match	10.561	GRK%1623759	\$ -	\$ 42,396
Direct Award:				
Cooperative Forestry Assistance	10.664	19-DG-11420000-026	-	30,082
Total Department of Agriculture			-	72,478
Department of Housing and Urban Development				
Passed-through Minnesota Homeownership Center:				
Housing Counseling	14.169	FY2020-06	-	16,641
Housing Counseling	14.169	FY2021-04	-	16,125
Total CFDA #14.169			-	32,766
CDBG - Entitlement Grants Cluster				
Passed-through City of Duluth:				
COVID-19 - Community Development Block Grant	14.218	CV-3-PS-04	-	26,100
COVID-19 - Community Development Block Grant	14.218	20-CV-PS-01		33,795
Community Development Block Grant	14.218	20-PS-04		20,000
Passed-through SOAR:				
Community Development Block Grant	14.218	None assigned	-	54,000
Community Development Block Grant	14.218	CD18-CD-ECDV	-	6,831
Total CFDA #14.218			-	140,726
Pass-through local Initiative Support Corporation (LISC):				
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	43930-0056	-	42,720
Total Department of Housing and Urban Development Programs			-	216,212
Department of the Treasury				
Direct Award:				
Volunteer Income Tax Assistance (VITA) Program	21.009	None assigned	-	32,000
Passed-through St. Louis County:				
COVID-19 - Coronavirus Relief Funds	21.019	None assigned	-	14,103
Total Department of the Treasury Programs			-	46,103
Environmental Protection Agency				
Passed-through Minnesota Department of Natural Resources				
Phragmites 2021	66.469		-	35,616
Direct Award:				
Great Lakes Program	66.469	GL-00E02834-1	-	60,000
Total Environmental Protection Agency			-	95,616

See accompanying notes to the Schedule of Expenditures of Federal Awards

COMMUNITY ACTION DULUTH, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services				
Passed-through Generations Health Care Initiatives:				
State Planning and Establishment Grants for the Affordable Care Act Exchanges	93.525	None assigned	-	53,925
Total CFDA #93.525			-	53,925
TANF Cluster				
Passed-through St. Louis County:				
Temporary Assistance for Needy Families	93.558	None assigned	-	4,623
Temporary Assistance for Needy Families	93.558	None assigned	-	217,448
Total CFDA #93.558			-	222,071
Passed-through State of Minnesota:				
COVID-19 - Community Services Block Grant	93.569	None assigned	69,788	149,140
Community Services Block Grant	93.569	GRK%160072	-	247,318
Total CFDA #93.569			69,788	396,458
Total Department of Health and Human Services			69,788	672,454
Total Expenditures of Federal Awards			\$ 69,788	\$ 1,102,863

See accompanying notes to the Schedule of Expenditures of Federal Awards

COMMUNITY ACTION DULUTH, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. BASIS OF PRESENTATION:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST ALLOCATION:

Community Action Duluth, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE**

DULUTH OFFICE
302 W Superior St
Ste 200
Duluth, MN 55802

P 218-727-6846
F 218-720-6999



SUPERIOR OFFICE
1511 Tower Avenue
Superior, WI 54880

P 715-392-5101
F 715-392-6600

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
Community Action Duluth, Inc.
Duluth, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action Duluth, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Duluth, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Duluth, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Duluth, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Action Duluth, Inc.'s Response to Findings

Community Action Duluth, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Duluth, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Esterbrooks Certified Public Accountants, Ltd.

Duluth, Minnesota

August 11, 2022

DULUTH OFFICE
302 W Superior St
Ste 200
Duluth, MN 55802

P 218-727-6846
F 218-720-6999



SUPERIOR OFFICE
1511 Tower Avenue
Superior, WI 54880

P 715-392-5101
F 715-392-6600

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Community Action Duluth, Inc.
Duluth, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Community Action Duluth, 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 Community Action Duluth, Inc.'s major federal programs for the year ended September 30, 2021. Community Action Duluth, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action Duluth, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Duluth, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action Duluth, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action Duluth, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of Community Action Duluth, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Duluth, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Duluth, Inc.'s internal control over compliance.

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

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

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

Esterbrooks Certified Public Accountants, Ltd.

Duluth, Minnesota
August 11, 2022

COMMUNITY ACTION DULUTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiencies identified not considered to be material weakness(es)? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 7. Identification of major programs: | |
| <u>CFDA No.</u> | <u>Name of Federal Program or Cluster</u> |
| 93.558 | TANF Cluster |
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

COMMUNITY ACTION DULUTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

B. Findings - Financial Statement Audit

2021-001 Material Weakness – Material Adjustments

Condition:

During our audit, material journal entries were proposed in order to properly reflect the financial statements in accordance with GAAP.

Criteria:

The Organization is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP), and to determine that financial statements are properly stated in compliance with GAAP.

Cause:

The Organization's internal controls have not been designed to record all necessary adjustments to financial information on a GAAP basis prior to the audit.

Effect:

The Organization's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation:

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit. Ongoing reconciliation and reviews of accounts should be implemented. We recommend that the Organization record all necessary journal entries to correctly state financial information on a GAAP basis prior to the audit.

Views of Responsible Officials and Planned Corrective Action:

There is no disagreement with the audit finding.

C. Findings and Questioned Costs - Major Federal Award Programs Audit No matters were reported



CORRECTIVE ACTION PLAN

2021-001

Contact Person

Lynn Habegger, Finance Director

Corrective Action Plan

The Organization's accounting personnel will evaluate its internal controls to record all necessary adjustments to state information on a GAAP basis prior to the annual audit. On a monthly basis, the account balances will be reconciled to source documents, all grants reviewed for full expenses allocation and correcting journal entries made in a timely manner.

Completion Date

Fiscal year end 2022