COMMUNITY ACTION PARTNERSHIP OF
RAMSEY & WASHINGTON COUNTIES
St. Paul, Minnesota

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Action Partnership of Ramsey & Washington Counties
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Partnership of Ramsey & Washington Counties (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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.

Board of Directors
Community Action Partnership of Ramsey & Washington Counties

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Partnership of Ramsey & Washington Counties as of September 30, 2018 and 2017, 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.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 February 21, 2019, on our consideration of Community Action Partnership of Ramsey & Washington Counties' 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 result of that testing, and not to provide an opinion on the effectiveness of Community Action Partnership of Ramsey & Washington Counties' 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 Partnership of Ramsey & Washington Counties' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 21, 2019

COMMUNITY ACTION PARTNERSHIP OF RAMSEY & WASHINGTON COUNTIES
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 581,502	$ 1,132,446
Grants Receivable	2,096,594	1,349,602
Accounts Receivable	34,447	108,986
Current Portion of Revolving Loans Receivable, Net	132,640	108,748
Prepaid Expenses	300,169	403,474
Other Assets	26,619	21,100
Total Current Assets	3,171,971	3,124,356
PROPERTY AND EQUIPMENT, NET	4,423,548	4,374,975
OTHER ASSETS		
Revolving Loans Receivable, Net	95,564	50,903
Total Assets	$ 7,691,083	$ 7,550,234
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 2,754	$ -
Accounts Payable	823,916	569,227
Accrued Payroll and Related Expenses	1,670,750	1,405,017
Grant Funds Received in Advance	129,034	380,947
Total Current Liabilities	2,626,454	2,355,191
LONG-TERM LIABILITIES		
Long-Term Debt	88,901	-
Total Liabilities	2,715,355	2,355,191
NET ASSETS		
Unrestricted	2,701,527	2,835,882
Temporarily Restricted	2,274,201	2,359,161
Total Net Assets	4,975,728	5,195,043
Total Liabilities and Net Assets	$ 7,691,083	$ 7,550,234

See accompanying Notes to Financial Statements.

COMMUNITY ACTION PARTNERSHIP OF RAMSEY & WASHINGTON COUNTIES
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Government Grants	$ 22,153,183	$ -	$ 22,153,183	$ 21,856,491	$ -	$ 21,856,491
United Way Support	601	-	601	1,189	-	1,189
Program Income	682,546	76,050	758,596	821,425	58,535	879,960
Contributions	61,412	-	61,412	51,407	-	51,407
Rental Income	701,333	-	701,333	680,730	-	680,730
In-Kind Contributions	270,959	-	270,959	281,820	-	281,820
Other	41,326	-	41,326	8,119	-	8,119
Net Assets Released from Restriction Through Satisfaction of Program/Purpose Restrictions	161,010	(161,010)	-	119,110	(119,110)	-
Total Revenue	24,072,370	(84,960)	23,987,410	23,820,291	(60,575)	23,759,716
EXPENSES						
Program Activities:						
Child Education Activities	14,208,134	-	14,208,134	14,443,832	-	14,443,832
Energy Conservation	2,651,249	-	2,651,249	2,136,107	-	2,136,107
Energy Assistance	2,437,218	-	2,437,218	2,521,847	-	2,521,847
Property Management	677,975	-	677,975	755,574	-	755,574
Strategic Initiatives	583,923	-	583,923	654,971	-	654,971
Community Services	1,550,482	-	1,550,482	1,053,565	-	1,053,565
Total Program Activities	22,108,981	-	22,108,981	21,565,896	-	21,565,896
SUPPORTIVE SERVICES						
Fundraising	36,386	-	36,386	32,271	-	32,271
Management and General	2,061,358	-	2,061,358	1,865,006	-	1,865,006
Total Expenses	24,206,725	-	24,206,725	23,463,173	-	23,463,173
CHANGE IN NET ASSETS	(134,355)	(84,960)	(219,315)	357,118	(60,575)	296,543
Net Assets - Beginning of Year	2,835,882	2,359,161	5,195,043	2,478,764	2,419,736	4,898,500
NET ASSETS - END OF YEAR	$ 2,701,527	$ 2,274,201	$ 4,975,728	$ 2,835,882	$ 2,359,161	$ 5,195,043

See accompanying Notes to Financial Statements.

COMMUNITY ACTION PARTNERSHIP OF RAMSEY & WASHINGTON COUNTIES
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (219,315)	$ 296,543
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	345,671	352,429
Provision for Loan Loss for Revolving Loans Receivable	-	21,110
Changes in Operating Assets and Liabilities:		
Grants Receivable	(746,992)	80,721
Accounts Receivable	74,539	(4,657)
Prepaid Expenses	103,305	(66,602)
Other Assets	(5,519)	(272)
Accounts Payable	254,689	(24,928)
Accrued Payroll and Related Expenses	265,733	97,409
Grant Funds Received in Advance	(251,913)	349,934
Net Cash Provided (Used) by Operating Activities	(179,802)	1,101,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Revolving Loans Issued	(219,439)	(171,163)
Collections on Revolving Loans	150,886	135,272
Purchase of Property and Equipment	(394,244)	(474,945)
Net Cash Used by Investing Activities	(462,797)	(510,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	92,800	-
Principal Payments on Long-Term Debt	(1,145)	-
Net Cash Provided by Financing Activities	91,655	-
CHANGE IN CASH AND CASH EQUIVALENTS	(550,944)	590,851
Cash and Cash Equivalents - Beginning of Year	1,132,446	541,595
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 581,502	$ 1,132,446

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community Action Partnership of Ramsey & Washington Counties (the Organization) was established as a nonprofit corporation in 1965. The organization partners with people to overcome poverty in Ramsey, Washington and Anoka counties in Minnesota through a variety of programs and initiatives. The organization takes a threefold approach to its work: directly serving participants enrolled in programs; educating the public, community leaders, and policy-makers about the impact of poverty and the support that is needed; and transforming systems to eliminate barriers so that all community members can achieve their full potential. To understand the current needs of the low-income community, the organization commissions a community needs assessment every three years. The organization is primarily supported through federal and state government grants, supplemented by local grants, foundation grants, and donations to the organization.

Federal Head Start grants are the largest source of funding for the organization, comprising approximately 46% and 44% of total revenue for the years ended September 30, 2018 and 2017, respectively. Head Start and Early Head Start services provide comprehensive early childhood education and family services to families with children pre-natal through 5 years. The program promotes school readiness through educational, health, nutritional, social and parent services to children pre-natal through 5 and their families. During the fiscal year, approximately 1,500 families were served.

Other significant federal and state grants fund additional low-income programs administered by the organization, including: Low Income Home Energy Assistance Program (LIHEAP) grants, Energy Conservation Program Weatherization grants, Community Services Block Grant, and the Minnesota Community Action Grant.

Energy Assistance is a health and safety program funded by the federal government's Low Income Home Energy Assistance Program (LIHEAP) grant contract which helps with utility bill payments, crisis intervention when utility service shut-off is imminent, advocacy for utility consumer rights, and referrals to other support programs. Over 19,000 households were served during the program year through heat and crisis assistance. The program also covered the cost of repairing or replacing approximately 425 furnaces.

Energy Conservation and Weatherization program activities are supported by funding from the U.S. Departments of Energy and Health and Human Services, plus utility conservation improvement program funds. The program performs energy audits on single and multi-family dwellings for low-income owners and renters, utilizing specialized staff who use the latest energy conservation tools and techniques to perform the work. Work includes performing energy audits; repairing and replacing mechanical systems; and insulating and air sealing homes. The program weatherized over 120 homes in Ramsey, Washington, and Anoka counties during the fiscal year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

The work of the Community Engagement program is funded through the federal Community Services Block Grant and the state of Minnesota Community Action Grant. Program work is focused in three areas: supporting people who are striving to increase their income, encouraging people to build their personal assets, and facilitating civic engagement focused on creating systemic change. All three of these approaches are designed to help low-income people build vital pathways to economic stability. During the program year approximately 2,000 individuals participated in one or more program offerings.

Basis of Presentation

The basic financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

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

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or may not be met, by either actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as Net Assets Released from Restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance 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.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction on a contribution is met in the year of contribution, the contribution is recorded as unrestricted revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

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

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as awarded, if unconditional. Amounts received in excess of expenses are reflected as temporarily restricted net assets until spent.

B. Grant Awards that are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Program Income

Program income consists primarily of fees with the childcare and the weatherization activities and is recognized as revenue when the service is performed.

Rental Income

Rental income is recognized when earned.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $200,658 and $144,646 for the years ended September 30, 2018 and 2017, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all savings accounts and short-term investments purchased with a maturity date of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of performance contract reimbursements. Management has determined that no allowance for uncollectible receivables is required since collection of the receivables is expected based on history and experience with these organizations.

Revolving Loans Receivable

Revolving loans are a combination of low-interest and interest-free loans to low-income individuals. They are reported at the principal balance outstanding, net of the allowance for loan losses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans. Loans losses are charged against the allowance when management believes the collectibility of the principal is unlikely. Subsequent recoveries, if any, are recorded as revenue to the loan program.

Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal owed.

The general component covers nonimpaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is based on the actual loss history experienced by the Organization over recent years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at approximate fair value and depreciated using the straight-line method over the estimated useful life of the asset. The Organization considers property and equipment to be items with an original value of $5,000 or more and a useful life of over one year.

Facilities leased under capital leases are recorded in property and equipment, with corresponding obligations carried in current and long-term liabilities. The amount capitalized is the lower of the present value of the minimum lease payment or the fair value of the leased property. Amortization of capital leases is recorded on a straight-line basis over the estimated life of the property.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The cost of equipment purchased with grant funds during the year is capitalized at cost on the statements of financial position. Depreciation is provided using the straight-line method over the estimated useful life of the equipment. The various funding sources have a reversionary interest in the equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations.

The net book value of equipment purchased with grant funds at September 30, 2018 and 2017 was $1,060,273 and $933,190, respectively.

Building renovations in the year ended September 30, 2002 were funded in part by a $200,000 grant from the Minnesota Department of Education. This grant must be repaid if the property is sold. As the Organization has no intention of selling the property, the initial grant was recorded as unrestricted revenue.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). It is also exempt from Minnesota franchise or income tax.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements.

In-Kind Contributions

In-kind contributions for space, supplies, and professional services are recorded in the statements of activities as Revenue and Expenses in the period they are received. During the years ended September 30, 2018 and 2017, the Organization received $270,959 and $281,820 of in-kind, respectively, primarily for its Head Start program.

Cost Allocation

Joint costs are allocated to benefiting program and support activities using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of more than one of the Organization’s activities and which cannot be readily identified with a final cost objective.

Subsequent Events

Subsequent events have been evaluated through February 21, 2019, which is the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The Organization maintains cash and cash equivalents at three banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

As of September 30, 2018 and 2017, approximately 82% and 83%, respectively, of the employees of the Organization are subject to a collective bargaining agreement with the American Federation of State, County, and Municipal Employees. The agreement expires on March 31, 2020.

NOTE 3 GRANTS RECEIVABLE

The balance at September 30 consisted of amounts due from various agencies as follows:

	2018	2017
Federally Funded Programs	$ 1,498,685	$ 587,485
State and Local Funded Programs	597,909	762,117
Total	$ 2,096,594	$ 1,349,602

NOTE 4 PROPERTY AND EQUIPMENT

The balance at September 30 consisted of the following:

	2018	2017
Land and Land Improvements	$ 1,506,435	$ 1,506,435
Buildings	7,512,290	7,185,060
Furniture and Equipment	1,860,872	2,778,839
Total	10,879,597	11,470,334
Less: Accumulated Depreciation and Amortization	(6,456,049)	(7,095,359)
Property and Equipment, Net	$ 4,423,548	$ 4,374,975

NOTE 5 RENTAL INCOME

At September 30, 2018, approximately 40% of the available space is leased to other entities that also primarily serve low-income individuals. Rent revenue received for the years ended September 30, 2018 and 2017 was $701,333 and $680,730, respectively. Future anticipated rents under noncancelable leases are as follows:

Year Ending September 30,	Amount
2019	$ 702,031
2020	658,395
2021	513,583
2022	307,300
2023	28,951
Thereafter	29,432
Total	$ 2,239,692

NOTE 6 REVOLVING LOANS RECEIVABLE

The Organization has received grants to make a combination of low-interest and interest-free, 24-month to 36-month installment loans to low-income individuals for rental assistance, childcare or medical bills, and vehicle purchases or repairs. Any loan repayments are used to make other loans to low-income individuals.

Revolving loans for the years ended September 30 consisted of the following:

	2018	2017
Vehicle Purchase or Repair Loans	$ 258,204	$ 189,651
Allowance for Loan Losses	(30,000)	(30,000)
Revolving Loans Receivable, Net	228,204	159,651
Less: Current Portion, Net	132,640	108,748
Revolving Loans Receivable, Long-Term Portion, Net	$ 95,564	$ 50,903

Detailed analysis of the allowance for loan losses as of September 30 was as follows:

	2018	2017
Balance at Beginning	$ 30,000	$ 30,000
Loans Charged Off	-	(21,110)
Provision for Loan Loss	-	21,110
Balance at End	$ 30,000	$ 30,000

NOTE 6 REVOLVING LOANS RECEIVABLE (CONTINUED)

Detailed analysis of loans evaluated for impairment as of September 30 was as follows:

	2018	
	Loan Balance	Allowance Balance
Individually Evaluated for Impairment	$ -	$ -
Collectively Evaluated for Impairment	258,204	30,000
Totals	$ 258,204	$ 30,000
	2017	
Individually Evaluated for Impairment	$ -	$ -
Collectively Evaluated for Impairment	189,651	30,000
Totals	$ 189,651	$ 30,000

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are as follows:

Source	Restriction	2018	2017
Capital Campaign	Building Activities	$ 155,088	$ 155,088
Donations	Various Purpose Restrictions	216,417	250,720
City of St. Paul	Donated Building to Head Start Program	1,664,540	1,715,197
Donations	Loan Pool	238,156	238,156
Temporarily Restricted Net Assets at September 30		$ 2,274,201	$ 2,359,161

Releases from restriction of $110,353 and $50,657 were for purpose restrictions and the donated building to head start program, respectively, for the year ended September 30, 2018. For the year ended September 30, 2017, the Organization had releases of $72,676 and $46,434 for purpose restrictions and the donated building to the Head Start program, respectively. The Organization received a temporarily restricted donation of a building with an appraised value of $2,150,000 in the year ended September 30, 2009. The Organization is required to return the building to the donor if it fails to use it in the Head Start program. As the building is depreciated, net assets are released from restriction on the statements of activities.

NOTE 8 UNEMPLOYMENT INSURANCE TRUST

The Organization is a participant in a trust as an alternative means of funding unemployment costs. The Organization is required to make annual contributions to the trust as determined by the trustee. The payments made to the trust by the Organization are used to pay unemployment claims as well as administrative costs of the trust.

NOTE 9 RETIREMENT PLAN

All eligible employees of the Organization are able to make contributions to a retirement plan authorized under Section 403(b) of the IRC immediately upon hire. After two years of service, the Organization contributes 3% of the employees' eligible salaries to the plan. All amounts are 100% vested upon contribution to the plan. The employer's contribution for the years ended September 30, 2018 and 2017 was $280,697 and $250,237, respectively.

NOTE 10 OPERATING LEASES

The Organization leases various space and equipment under operating leases. All lease agreements include provisions for termination should government funding become unavailable. Lease expense for the years ended September 30, 2018 and 2017 was $294,044 and $286,974, respectively. Future minimum lease commitments, by fiscal year, are as follows:

Year Ending September 30,	Amount
2019	$ 201,994
2020	92,799
2021	66,025
2022	56,538
2023	15,540
Total	$ 432,896

NOTE 11 RELATED PARTY

The Organization leases space in a building to Ramsey County Human Services under a lease expiring August 2021. The current year rent received under this lease from Ramsey County was $223,575.

NOTE 12 LONG TERM DEBT

Long-term debt consisted of a mortgage which bears a variable interest rate of 5.31% per annum and was issued to the Organization for property in Little Canada, Minnesota. The interest rate was set April 23, 2018 and will be adjusted every five years thereafter, equal to the rate of the current five-year interest rate swaps plus 2.5%. The mortgage is payable in monthly payments of $629 through March 2028. A final balloon payment of approximately $59,575 is due in April 2028. The loan is secured by the Little Canada property.

NOTE 13 ASSET RETIREMENT OBLIGATION

The Organization's main operating location at 450 Syndicate Street North is known to contain asbestos. No asset retirement obligation is recorded in the statements of financial position as the costs of asbestos abatement are indeterminable at this time. The Organization has identified the potential locations of asbestos throughout the building and will take appropriate remediation procedures when necessary.

NOTE 14 GRANT AWARDS

At September 30, 2018, the Organization had received future funding commitments under various grants of approximately $12,700,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

NOTE 15 PROGRAM OPERATIONS

The Organization has a grant with the State of Minnesota Department of Commerce for outreach, intake, eligibility, and certification of LIHEAP-eligible participants. Client benefits for LIHEAP-eligible participants are subsequently paid directly by the state of Minnesota. For the years ended September 30, 2018 and 2017, client benefits in the amount of $10,737,561 and $9,855,578, respectively, paid by the state, are not included in the statements of activities as they were not part of the grant award.

NOTE 16 GOVERNMENT CONTRACTS

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

NOTE 17 LINE OF CREDIT

On April 10, 2017, the Organization entered into a line of credit agreement with Bremer Bank. The line of credit is secured with the building located at 450 Syndicate St. N., St. Paul, MN 55104, and provides for short-term borrowing up to $2,500,000 at a variable interest rate of Prime + .25%. The agreement is through April 10, 2019, and management intends to renew the line of credit at that time. There was no outstanding balance due on this line of credit as of September 30, 2018.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' 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 Partnership of Ramsey & Washington Counties
Saint Paul, 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 Partnership of Ramsey & Washington Counties, which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Partnership of Ramsey & Washington Counties' 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 result of that testing, and not to provide an opinion on the effectiveness of Community Action Partnership of Ramsey & Washington Counties' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Partnership of Ramsey & Washington Counties' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 21, 2019

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

Board of Directors
Community Action Partnership of Ramsey & Washington Counties
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Community Action Partnership of Ramsey & Washington Counties' 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 Partnership of Ramsey & Washington Counties' major federal programs for the year ended September 30, 2018. Community Action Partnership of Ramsey & Washington Counties' major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Community Action Partnership of Ramsey & Washington Counties 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, 2018.

Report on Internal Control Over Compliance

Management of Community Action Partnership of Ramsey & Washington Counties 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 Partnership of Ramsey & Washington Counties' 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 Partnership of Ramsey & Washington Counties' internal control over compliance.

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 21, 2019

COMMUNITY ACTION PARTNERSHIP OF RAMSEY & WASHINGTON COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Program or Cluster Title	Pass-Through Agency	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture				
Child and Adult Care Food Program	Minnesota Department of Education	N/A	10.558	$ 573,096
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	Minnesota Department of Human Services	54526	10.580	45,929
Total U.S. Department of Agriculture				619,025
U.S. Department of Energy				
Weatherization Assistance for Low-Income Persons (17-18)	Minnesota Department of Commerce	95371 A2500	81.042	351,690
Weatherization Assistance for Low-Income Persons (18-19)	Minnesota Department of Commerce	141974	81.042	106,704
Subtotal 81.042 CFDA				458,394
Total U.S. Department of Energy				458,394
U.S. Department of Health and Human Services				
Low-Income Home Energy Assistance (Weatherization 18)	Minnesota Department of Commerce	17B1MNLIEA A2018	93.568	1,762,639
Low-Income Home Energy Assistance (Weatherization 19)	Minnesota Department of Commerce	18B1MNLIEA A2109	93.568	598,963
Low-Income Home Energy Assistance (17-18)	Minnesota Department of Commerce	82866/5815-1563	93.568	13,392,571
Subtotal 93.568 CFDA				15,754,173
Community Services Block Grant (17-19)	Minnesota Department of Human Services	GRK%127513	93.569	1,452,541
Head Start (17-18)	Direct	N/A	93.600	5,488,828
Early Head Start (17-18)	Direct	N/A	93.600	799,593
Head Start (18-19)	Direct	N/A	93.600	4,293,587
Early Head Start (18-19)	Direct	N/A	93.600	651,880
Subtotal 93.600 CFDA				11,233,888
Total U.S. Department of Health and Human Services				28,440,602
U.S. Department of Housing and Urban Development				
Home Investment Partnerships Program	Washington County Community Development Agency	N/A	14.239	77,825
Total Federal Financial Assistance				$ 29,595,846

COMMUNITY ACTION PARTNERSHIP OF RAMSEY & WASHINGTON COUNTIES
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

Grant Description	Pass-Through Agency	Grant Number	Federal CFDA Number	Expenditures
State and Local Programs				
Minnesota Community Action Grant 17-19	Minnesota Department of Human Services	127513	N/A	$ 581,537
CSBG Discretionary Grant	Minnesota Department of Human Services	N/A	N/A	3,808
Minnesota Head Start 17-18	Minnesota Department of Education	4133	N/A	2,312,838
Minnesota Head Start 18-19	Minnesota Department of Education	4534	N/A	593,096
HS Pathway II Scholarship Funds 16-17	Minnesota Department of Education	N/A	N/A	7,268
HS Pathway II Scholarship Funds 17-18	Minnesota Department of Education	N/A	N/A	569,604
Pathways to Prosperity - City of St Paul 17-18	City of Saint Paul Police Department	N/A	N/A	34,882
Pathways to Prosperity - City of St Paul 18-20	City of Saint Paul Police Department	N/A	N/A	15,251
MN VITA Grant	Minnesota Department of Revenue	N/A	N/A	1,203
CALI 2018	Minnesota Department of Commerce	N/A	N/A	3,764
Family Homeless Prevention 17-19	Ramsey County	N/A	N/A	20,850
MN Transitional Housing 17-19	Minnesota Department of Human Services	127181	N/A	118,135
Getting to Work	Minnesota Department of Employment & Economic Development	8RWCAP7500	N/A	11,267
Total State and Local Financial Assistance				$ 4,273,503

NOTE 1 BASIS OF PRESENTATION

This schedule includes state and local activity as well as the federal grant activity of Community Action Partnership of Ramsey & Washington Counties under programs of the federal government for the year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of 2 CFR 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 Partnership of Ramsey & Washington Counties, it is not intended to, and does not, present the financial position, changes in nets assets, or cash flows of Community Action Partnership of Ramsey & Washington Counties.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Community Action Partnership of Ramsey & Washington Counties has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 CFDA 93.568

Included in CFDA 93.568 are client benefits paid by the state of Minnesota of $10,737,561. These expenditures are not included in the statement of activities.

COMMUNITY ACTION PARTNERSHIP OF RAMSEY & WASHINGTON COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2018

A. SUMMARY OF AUDIT RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ______ yes ___x___ no
   - Significant deficiency(ies) identified? ______ yes ___x___ none reported

3. Noncompliance material to financial Statements noted? ______ yes ___x___ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ______ yes ___x___ no
   - Significant deficiency(ies) identified? ______ yes ___x___ none reported

2. Type of auditors' report issued on: compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes ___x___ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.600	U.S. Department of Health and Human Services – Head Start

Dollar threshold used to distinguish between Type A and Type B programs: $887,875

Auditee qualified as low-risk auditee? ___x___ yes ______ no

B. Findings – Financial Statements Audit

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

C. Findings – Major Federal Award Programs Audit

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).