

Three Rivers Community Action, Inc. and Subsidiaries

**Consolidated Financial Statements
and Supplementary Information**

December 31, 2020 and 2019



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

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Three Rivers Community Action, Inc. and Subsidiaries (a Nonprofit Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Limited Partnership, Harvest Ridge Townhomes Limited Partnership, North and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership, which statements reflect total aggregated assets of \$36,952,191 as of December 31, 2020, and total revenues of \$3,355,369 for the year then ended. We did not audit the financial statements of Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Limited Partnership, Harvest Ridge Townhomes Limited Partnership, North and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership, which statements reflect total aggregated assets of \$37,947,274 as of December 31, 2019, and total revenues of \$3,100,024 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Limited Partnership, Harvest Ridge Townhomes Limited Partnership, North and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership, are based solely on the reports of the other auditors.

Auditor's Responsibility (Continued)

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 consolidated financial statements are free from material misstatement. The financial statements of Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Limited Partnership, Harvest Ridge Townhomes Limited Partnership, North and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Three Rivers Community Action, Inc. and Subsidiaries as of December 31, 2020 and 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards and related notes to the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such consolidating information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

Report on Supplementary Information (Continued)

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021, on our consideration of Three Rivers Community Action, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of Three Rivers Community Action, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Community Action, Inc.'s internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
May 19, 2021

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CONSOLIDATED FINANCIAL STATEMENTS

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 6,565,951	\$ 3,685,049
Restricted cash	3,155,806	2,789,903
Investments, at fair value	85,130	76,848
Grants receivable	1,768,547	1,452,038
Accounts receivable	778,520	954,396
Current portion of contracts receivable	95,852	253,008
Prepaid expenses	184,829	194,630
Total current assets	12,634,635	9,405,872
Noncurrent assets		
Contracts receivable	797,837	894,393
Other assets	782,416	788,099
Affordable housing projects	38,657,473	39,211,143
Property and equipment	3,642,319	2,836,939
Total noncurrent assets	43,880,045	43,730,574
Total assets	\$ 56,514,680	\$ 53,136,446
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 223,763	\$ 1,020,704
Line of credit	105,216	-
Accounts payable and accrued expenses	2,242,688	2,397,967
Deferred revenue	52,072	35,127
Grant advances	1,996,809	259,756
Total current liabilities	4,620,548	3,713,554
Long-term liabilities		
Accrued interest	638,606	603,369
Section 1602 deferred grant	420,189	490,221
Long-term debt	18,748,711	16,325,626
Total long-term liabilities	19,807,506	17,419,216
Total liabilities	24,428,054	21,132,770
Net assets		
Without donor restrictions	14,213,043	13,438,450
Noncontrolling interest in consolidated subsidiaries	17,873,583	18,565,226
Total net assets	32,086,626	32,003,676
Total liabilities and net assets	\$ 56,514,680	\$ 53,136,446

See notes to consolidated financial statements.

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Activities
Years Ended December 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Federal grant revenue	\$ 9,626,410	\$ 5,563,571
State grant revenue	3,142,180	4,725,171
Other grant revenue	138,126	92,048
Contributions	361,244	210,288
Other program revenue	1,326,422	2,525,636
Rental income	3,822,720	3,579,462
Investment income	44,587	116,674
Total revenue	<u>18,461,689</u>	<u>16,812,850</u>
Expenses		
Program services		
Housing	5,319,203	5,018,272
Transportation	4,182,232	4,881,119
Early childhood	3,232,766	2,772,830
Community development	5,087,162	2,876,445
Senior services	380,227	307,003
Management and general	628,314	543,034
Total expenses	<u>18,829,904</u>	<u>16,398,703</u>
Total change in net assets before noncontrolling interest	(368,215)	414,147
Change in noncontrolling interest in affordable housing projects	<u>898,308</u>	<u>1,168,654</u>
Total change in net assets	530,093	1,582,801
Net Assets		
Beginning of year	13,438,450	10,469,647
Transfer of non-controlling interest	<u>244,500</u>	<u>1,386,002</u>
End of year	<u>\$ 14,213,043</u>	<u>\$ 13,438,450</u>

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

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

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					Total	Supporting Services	Total
	Housing	Transportation	Early Childhood	Community Development	Senior Services		Management and General	
Direct services	\$ 39,572	\$ 101,827	\$ 287,854	\$ 1,144,785	\$ 122,524	\$ 1,696,562	\$ -	\$ 1,696,562
Salaries and wages	215,960	2,207,983	1,311,525	987,389	94,801	4,817,658	331,438	5,149,096
Fringe benefits	89,487	1,013,126	668,499	476,955	66,355	2,314,422	99,431	2,413,853
Training and travel	15,390	51,166	63,174	64,767	5,568	200,065	25,714	225,779
Telephone and technology	22,958	97,627	125,930	72,175	4,824	323,514	2,055	325,569
Office supplies	5,118	53,293	41,342	35,982	4,783	140,518	8,292	148,810
Space costs and utilities	89,551	48,494	216,384	54,131	3,527	412,087	818	412,905
Equipment and maintenance	40,882	238,308	-	107	-	279,297	-	279,297
Vehicle repairs and maintenance	-	541,466	3,978	-	-	545,444	-	545,444
Other costs	278,782	207,500	54,144	40,154	4,621	585,201	75,286	660,487
Housing partnerships	1,955,635	-	-	-	-	1,955,635	-	1,955,635
Depreciation and amortization	1,732,944	320,329	-	-	-	2,053,273	-	2,053,273
Interest	531,993	-	-	-	-	531,993	-	531,993
Total	<u>\$ 5,018,272</u>	<u>\$ 4,881,119</u>	<u>\$ 2,772,830</u>	<u>\$ 2,876,445</u>	<u>\$ 307,003</u>	<u>\$ 15,855,669</u>	<u>\$ 543,034</u>	<u>\$ 16,398,703</u>

Three Rivers Community Action, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows - Operating Activities		
Change in net assets	\$ 774,593	\$ 2,968,803
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Noncontrolling interest in change in net assets	(898,305)	(1,168,654)
Depreciation	406,231	368,291
Amortization - other assets	18,521	20,646
Amortization - debt issuance costs	21,914	37,714
Depreciation - affordable housing projects	1,763,027	1,664,120
Gain on sale of property and equipment	(10,531)	(7,512)
Gain on affordable housing projects	(29,977)	(7,938)
Unrealized gain on investments	(8,282)	(10,111)
Section 1602 grant revenue	(70,032)	(315,140)
Change in operating assets and liabilities		
Grants receivable	(316,509)	(202,565)
Accounts receivable	175,876	(408,873)
Contracts receivable	253,712	106,294
Prepaid expenses	9,801	(1,963)
Other assets	-	(138,825)
Accounts payable and accrued expenses	(155,279)	(335,972)
Deferred revenue	16,945	11,655
Grant advances	1,737,053	42,714
Accrued interest	35,237	38,477
Net cash flows - operating activities	3,723,995	2,661,161
Cash Flows - Investing Activities		
Purchase of property and equipment	(1,125,635)	(1,367,574)
Proceeds from sale of property and equipment	10,531	7,512
Payments toward affordable housing projects	(1,271,681)	(3,549,550)
Proceeds from sale of affordable housing projects	6,325	14,490
Net cash flows - investing activities	(2,380,460)	(4,895,122)
Cash Flows - Financing Activities		
Cash paid for debt financing costs	(18,043)	(63,807)
Proceeds from long-term debt	2,630,544	-
Net change in line of credit	105,216	-
Partner contributions	471,801	5,477,085
Principal payments on long-term debt	(1,021,109)	(1,513,664)
Transfer of non-controlling interest	(244,500)	(1,386,002)
Partner distributions and syndication fees	(20,639)	(98,664)
Net cash flows - financing activities	1,903,270	2,414,948
Net change in cash, cash equivalents and restricted cash	3,246,805	180,987
Cash, Cash Equivalents and Restricted Cash		
Beginning of year	6,474,952	6,293,965
End of year	\$ 9,721,757	\$ 6,474,952
Reconciliation to the Consolidated Statements of Financial Position		
Cash and cash equivalents	\$ 6,565,951	\$ 3,685,049
Restricted cash	3,155,806	2,789,903
Total end of year cash and cash equivalents and restricted cash	\$ 9,721,757	\$ 6,474,952
Supplemental Cash Flow Information		
Cash paid during the year for interest	\$ 384,861	\$ 493,516

See notes to consolidated financial statements.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

Principles of Consolidation and Affordable Housing Projects and Other Assets

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

These financial statements consolidate the statements of Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Townhomes Limited Partnership, Harvest Ridge Townhomes Limited Partnership, North and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership (collectively, the Organization). Inter-organization balances and transactions have been eliminated in the consolidation.

Bridge Run Townhomes Limited Liability Company

Three Rivers organized a limited liability company (Bridge Run Townhomes, LLC) to acquire, rehabilitate, own, maintain, and operate an 18-unit rental housing project located in Cannon Falls, Minnesota. Three Rivers is the single member of the LLC. Initial rentals occurred in November 2010.

Eagle Ridge Apartments Limited Partnership

Three Rivers has entered into a limited partnership agreement with NDC Corporate Equity Fund VI, LP (Eagle Ridge Apartments, LP) to construct, develop, acquire, hold for investment, lease and sell a 48 unit residential apartment development located in Red Wing, Minnesota. Three Rivers serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner. On December 31, 2019, NDC Corporate Equity Fund VI, LP transferred the non-controlling interest in Eagle Ridge Apartments, LP to Three Rivers Development, LLC. Three Rivers is the sole member of Three Rivers Development, LLC.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fox Pointe Townhomes Limited Partnership

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

Harvest Ridge Townhomes Limited Partnership

Three Rivers has entered into a limited partnership agreement with NDC Corporate Equity Fund VI, LP (Harvest Ridge Townhomes, LP) to construct, develop, acquire, hold for investment, lease and sell a 20 unit residential townhomes development located in Plainview, Minnesota. Three Rivers serves as general partner with .01 percent ownership. This partnership is reported as a consolidated subsidiary of Three Rivers due to the control Three Rivers has over the partnership as the partnership's general partner. On December 31, 2020, NDC Corporate Equity Fund VI, LP transferred their non-controlling interest in Harvest Ridge Townhomes to Three Rivers Development, LLC. Three Rivers is the sole member of Three Rivers Development, LLC.

North and South Oak Apartments Limited Partnership

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

Prairiewood Townhomes Limited Partnership

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Spring Creek Townhomes Limited Partnership

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

Trailside Apartments of Albert Lea Limited Partnership

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

Wazuweeta Woods Limited Partnership

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

Projects at Cost

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

Northern Oaks Townhomes

Three Rivers has completed construction on a larger family affordable rental housing project in Northfield, Minnesota (Northern Oaks). Northern Oaks resulted in the development of eight units (two triplexes and one duplex) of large family affordable housing. The units were completed for occupancy May 1998. Northern Oaks is owned solely by Three Rivers and is valued at cost.

Clover Patch Apartments

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Projects at Cost (Continued)

Southside Apartments

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

Deerwood Lane Townhomes

Three Rivers has completed acquisition of a multi-family market rate housing project in Faribault, Minnesota (Deerwood). Deerwood resulted in the development of 4 market rate units. Deerwood is owned solely by Three Rivers and is valued at cost.

Northbridge Apartments of Albert Lea

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

Projects at Equity Method

Partnership interests in affordable housing projects where all partners have substantive participating rights are accounted for using the equity method of accounting; Hayfield Greens Partnership and Opportunity Homes Limited Liability Company. These are recorded based on amounts reported on calendar year ended Schedule K-1 (Form 1065) partnership tax returns.

Hayfield Greens Partnership

Three Rivers has entered into a general partnership agreement with James J. and Kristin K. Fiebiger (Hayfield Greens) to construct, develop, acquire, hold for investment, lease, and sell a 24 unit residential apartment development located in Hayfield, Minnesota. Three Rivers owns 50% of Hayfield Greens and it continues to be accounted for using the equity method of accounting due to the substantial participating rights of all partners.

Opportunity Homes, LLC

Three Rivers has entered into a limited partnership agreement with Ron Carlsen (Opportunity Homes) to construct, develop, acquire, hold for investment, lease and sell five (5) residential homes located in Kasson, Rochester and Faribault, Minnesota. Three Rivers owns 50% of Opportunity Homes and it continues to be accounted for using the equity method of accounting due to the substantial participating rights of all partners.

Use of Estimates

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected within investment income in the statements of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

Grants Receivable

Grants receivable are due primarily from the federal and state government and other nonprofit organizations and arise primarily from the Organization's grants and contracts with those agencies to administer various programs. As of December 31, 2020 and 2019, the Organization estimates there were no uncollectible amounts. All accounts are reviewed annually for collectability.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances determined from contractual agreements. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. Based upon prior experience and continual assessments of future collections, the Organization estimates there was no allowance for doubtful accounts necessary at both December 31, 2020 and 2019.

Contracts Receivable

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

Other Assets

Other assets are investments, valued at cost, in future affordable housing projects and various reserves for affordable housing projects as required by certain loan covenants and restricted by funding source agreements.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Furniture, equipment, buildings, and improvements that extend the life of an asset with an initial cost of \$5,000 or more are reported on the consolidated statements of financial position and are stated at cost. Purchases of furniture and equipment of less than \$5,000 are expensed immediately. Donated property and equipment are valued at fair value based on estimated value on date of donation. Depreciation is determined using the straight-line method over 5 to 7 years for furniture and equipment and generally 25 years for the buildings and improvements.

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts and the resulting gain or loss is recognized in income. Repairs and maintenance are charged to expense as incurred. Renewals and improvements that extend the useful lives of assets are capitalized and depreciated over future periods.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the assets and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold, and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no impairment existed as December 31, 2020 and 2019.

Compensated Absences Payable

Employees of the Organization are entitled to personal time off, depending on job classification, length of service, and other factors. A liability for compensated absences is included in accounts payable and accrued expenses in the consolidated statements of financial position as of December 31, 2020 and 2019.

Grant Advances

Grant advances consist of payments received in advance that relate to program services to be rendered in a future period. Grant advances do not represent total grant values. All grant advances are classified as current and will be recognized over the next year.

Section 1602 Deferred Grant

Revenue from the Section 1602 grant is deferred and recognized using the straight-line method over the 15-year recapture period.

Affordable Housing Project, Notes, and Mortgages

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (the is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2020 and 2019, conditional contributions approximately \$12,055,385 and \$15,474,487, for which no amounts have been received in advance, have not been recognized in the accompanying consolidated financial statements.

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

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

In-Kind Contributions

Each program is responsible for keeping records to support the in-kind contribution claimed. To calculate the value of services, space, or material donated, a rate at or below current market rate is used. Volunteers contribute significant amounts of time to program services and administration activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods and property and equipment are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing the Organization's various programs have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization charges costs to various programs using various bases, such as number of users, according to its internal policy. Costs, which are common to more than one program, have been identified and have been charged to the programs based on metrics that benefit the programs.

Amortization

Tax credit fees paid to Minnesota Housing Finance Agency are amortized over a 15-year period using the straight-line method.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2020 and 2019 the Organization incurred advertising costs totaling \$15,640 and \$23,872, respectively.

Income Taxes

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Contributed Nonfinancial Assets

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

Leases

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

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	2020	2019
Cash	\$ 6,565,951	\$ 3,685,049
Investments, at fair value	85,130	76,848
	6,651,081	3,761,897
Less grant advances and other deferred revenue	(2,153,299)	(294,883)
Total financial assets available for general expenditures	\$ 4,497,782	\$ 3,467,014

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

NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization does not have a formal policy but generally it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Restricted cash totaling \$3,155,806 and \$2,789,903 at December 31, 2020 and 2019, respectively are excluded from the total above as those dollars are being held for specific purposes.

NOTE 3 – RESTRICTED CASH

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ 1,311,246	\$ 1,264,105
Unemployment trust account	166,577	7,097
Replacement cost reserve	1,213,176	1,121,613
Tenant security deposits	288,149	275,563
Residual receipts reserve	73,532	69,320
Development cost escrow	9,929	-
Real estate tax and insurance escrow	<u>93,197</u>	<u>52,205</u>
Total	<u>\$ 3,155,806</u>	<u>\$ 2,789,903</u>

NOTE 4 – FAIR VALUE OF INVESTMENTS

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated data.

Level 3 - Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's on assumption, as there is little, if any, related market activity.

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

NOTE 4 – FAIR VALUE OF INVESTMENTS (CONTINUED)

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2020			
Mutual funds			
Bond fund	\$ 47,380	\$ -	\$ -
All american fund	<u>37,750</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	<u>\$ 85,130</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2019			
Mutual funds			
Bond fund	\$ 44,603	\$ -	\$ -
All american fund	<u>32,245</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	<u>\$ 76,848</u>	<u>\$ -</u>	<u>\$ -</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the investment balances.

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

NOTE 5 – CONTRACTS RECEIVABLE

Three Rivers purchased dilapidated houses, rehabilitated, and later sold the houses to eligible families on contracts for deed at 0% interest.

	2020	2019
Contracts receivable	\$ 893,689	\$ 1,147,401
Less: current portion	(95,852)	(253,008)
Total noncurrent portion	\$ 797,837	\$ 894,393

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

2021		\$ 95,852
2022		90,852
2023		90,852
2024		89,839
2025		82,944
2026 and thereafter		443,350
Total		\$ 893,689

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

NOTE 6 – OTHER ASSETS

Other assets consist of investments in future affordable housing projects and various reserves for affordable housing projects as required by certain loan covenants and restricted by funding source agreements as follows:

	<u>2020</u>	<u>2019</u>
Bridge Run Townhomes, LLC	\$ 2,016	\$ 2,433
Eagle Ridge Apartments, LLC	-	747
Fox Pointe Townhomes	59,563	64,145
North & South Oak Apartments	11,635	13,574
Prairiewood Townhomes	24,200	27,223
Spring Creek Townhomes	14,305	19,507
Trailside of Albert Lea, LP	2,323	4,732
Clover Patch Apartments	12,838	-
Northbridge	1,335	1,537
Rochester Multi-Family Project	528,201	528,201
Scattered Single Family Housing Developments	<u>126,000</u>	<u>126,000</u>
Total	<u>\$ 782,416</u>	<u>\$ 788,099</u>

Amortization on other assets in the affordable housing projects was \$18,521 and \$20,646 for 2020 and 2019, respectively.

NOTE 7 – AFFORDABLE HOUSING PROJECTS

Affordable housing projects were comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,192,959	\$ 5,051,586
Building and improvements	47,600,162	46,561,824
Furniture and equipment	<u>2,651,051</u>	<u>2,638,907</u>
	55,444,172	54,252,317
Accumulated depreciation	<u>(16,786,699)</u>	<u>(15,041,174)</u>
Total	<u>\$ 38,657,473</u>	<u>\$ 39,211,143</u>

Depreciation on affordable housing projects was \$1,763,027 and \$1,664,120 for 2020 and 2019, respectively.

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

NOTE 8 – PROPERTY AND EQUIPMENT

	2020	2019
Furniture and equipment	\$ 2,823,289	\$ 2,855,391
Building and improvements	3,541,715	2,667,548
Construction in progress	86,458	149,177
Land	110,925	110,925
	6,562,387	5,783,041
Accumulated depreciation	(2,920,068)	(2,946,102)
Total	\$ 3,642,319	\$ 2,836,939

Property, equipment, and furniture acquired are owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, the funding sources have a reversionary interest in equipment purchased with grant funds and its disposition, as well as the ownership of any proceeds thereof, is subject to funding source regulations. Depreciation on Three Rivers property and equipment was \$406,231 and \$368,291 for 2020 and 2019, respectively.

NOTE 9 – LINE OF CREDIT

Three Rivers has a \$350,000 line of credit with GMHF to support certain predevelopment costs for the benefit of a specific project until December 2021. Interest is payable monthly at a 4.25%. Borrowings under the agreement are secured by real estate. The outstanding balance at December 31, 2020 was \$105,216.

NOTE 10 – SECTION 1602 DEFERRED GRANT

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

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

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

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

NOTE 11 – LONG-TERM DEBT

Long-term debt and affordable housing projects consist of the following at December 31:

	2020	2019
Three Rivers Community Action, Inc.		
Marco Technologies, capital copier lease. (See Note 12)	\$ 4,863	\$ 14,589
SWMHP, EMHI downpayment assistance of \$2,500 per client, payable at sale of property including 0% interest.	7,500	7,500
First Homes, mortgage payable, secured by seven single family lots in Plainview, MN, payable payable upon sale of lots, including interest at 0%.	108,000	108,000
GMHF note payable, secured by 1709 18th Avenue NE, Rochester, MN, interest accrues on the principal balance at 3% per annum. Paid in full.	-	49,060
First Alliance Credit Union, mortgage payable, secured 1709 18th Avenue NW, Rochester, MN, payable in monthly installments of \$495, including interest at 5%. Paid in full.	-	67,207
Bremer Bank, mortgage payable, secured by 1414 North Star drive, Zumbrota, MN payable in monthly installments through April 30, 2027 when principal balance is due. Payments are \$3,390 including interest at 3.8%.	650,564	-
Clover Patch Apartments		
USDA Rural Development, mortgage payable, secured by Clover Patch Apartments purchase, payable in monthly installments of \$5,114, including interest at 6%, final payment due February 25, 2035. Refinanced in 2020 with interest rate of 2.75% and final payment due April 1, 2040.	848,086	854,626
MHFA Preservation Affordable Rental Investment Fund Program, mortgage payable, secured by Clover Patch Apartments, payable in full on February 25, 2035, including 0% interest. Modified in 2020 with a new due date of November 2, 2040.	350,000	350,000
Greater Minnesota Housing Fund, mortgage payable, secured by Clover Patch Apartments, payable in full on June 30, 2035, including 0% interest. Modified in 2020 with a new due date of November 2, 2040.	120,000	120,000

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

NOTE 11 – LONG-TERM DEBT (CONTINUED)

	2020	2019
Clover Patch Apartments (Continued)		
First Homes Properties, mortgage payable, secured by Clover Patch Apartments, payable in full on June 30, 2035, including 0% interest due date was extended to November 2, 2040.	\$ 50,000	\$ 50,000
MHFA Asset Management mortgage payable, secured by Clover Patch Apartments, payable in full on November 2, 2040, including 0% interest.	1,079,990	-
USDA Rural Development 515 loan, secured by Clover Patch Apartments, monthly payments of \$3,232 including 2.5% interest with final payment due November 2, 2040.	66,879	-
Northbridge Apartments of Albert Lea		
USDA Rural Development, mortgage payable, secured by Northbridge Apartments, payable in monthly installments of \$4,392, including interest at 3.125%, final payment due May 31, 2043.	1,241,251	1,251,599
MHFA PARIF mortgage payable, secured by Northbridge Apartments, payable on May 31, 2043, including 0% interest.	480,250	480,250
MHFA HOME mortgage payable, secured by Northbridge Apartments, payable on May 31, 2043, including 0% interest.	1,000,000	1,000,000
GMHF, deferred loan, secured by Northbridge Apartments, payable on May 31, 2043, including 0% interest.	200,000	200,000
GMHF mortgage payable, secured by Northbridge Apartments, payable in monthly installments of \$759, including interest at 2%, final payment due May 31, 2033.	104,645	111,010
Northern Oaks Townhomes		
MHFA, Home Targeted Program, deferred loan, proceeds used for Northern Oaks purchase. This loan is to be forgiven if all conditions are met December 31, 2026.	320,000	320,000
Northfield Community National Bank, mortgage payable, secured by Northern Oaks, payable in monthly installments of \$1,065, including interest at 6.75%. Paid in full.	-	576
GMHF mortgage payable, secured by Northern Oaks. Including 0% interest. Paid in full.	-	60,000

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

NOTE 11 – LONG-TERM DEBT (CONTINUED)

	2020	2019
Northern Oaks Townhomes (Continued)		
Community Resource Bank mortgage, secured by Northern Oaks, final payment due February 10, 2030. Monthly payments of \$651, including 4.9% interest.	\$ 57,345	\$ -
Southside Apartments		
USDA Rural Development, mortgage payable, secured by Southside Apartments purchase, payable in monthly installments of \$821, including interest at 4%, final payment due March 1, 2049.	137,760	139,687
MHFA, Preservation Affordable Rental Investment Fund Program Loan, secured by Southside Apartments, payable in full on December 9, 2048, including interest at 1%.	175,000	175,000
GMHF mortgage payable, secured by Southside Apartments, payable on December 9, 2048, including 0% interest.	175,000	175,000
SWMHP mortgage payable, secured by Southside Apartments, payable on December 9, 2048, including 0% interest.	16,000	16,000
Bridge Run Townhomes, LLC		
MHFA mortgage payable, secured by Bridge Run Townhomes, LLC, payable on November 4, 2040, including 0% interest.	360,000	360,000
MHFA mortgage payable, secured by Bridge Run Townhomes, LLC, payable on November 4, 2040, including 0% interest.	252,000	252,000
MHFA mortgage payable, secured by Bridge Run Townhomes, LLC, payable in monthly installments of \$2,784, including interest at 5.5%, final payment due October 1, 2041.	413,722	424,059
Less: unamortized debt issuance costs	(28,942)	(31,308)
GMHF mortgage payable, secured by Bridge Run Townhomes, LLC, payable on November 4, 2040, including 0% interest.	60,000	60,000
SWMHP mortgage payable, secured by Bridge Run Townhomes, LLC, payable on November 4, 2040, including 0% interest.	18,000	18,000

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

NOTE 11 – LONG-TERM DEBT (CONTINUED)

	2020	2019
Eagle Ridge Apartments, LP		
MHFA mortgage payable, secured by Eagle Ridge, payable in monthly installments of \$5,165, including interest at 5.75%, final final payment due November 1, 2035.	\$ 621,953	\$ 647,369
MHFA mortgage payable, secured by Edge Ridge, payable on November 1, 2035, including interest at 1%.	456,670	456,670
Less: unamortized debt issuance costs	(33,240)	(37,183)
GMHF mortgage payable, secured by Edge Ridge, payable on September 16, 2034, including interest at 1%.	665,000	665,000
Fox Pointe Townhomes, LP		
MHFA, Economic Development Housing Challenge (EDHC) Program loan, payable on March 1, 2059, including 0% interest.	121,600	121,600
Less: unamortized debt issuance costs	(783)	(804)
Wells Fargo, construction loan payable, secured by rents and future financing of Fox Pointe Townhomes. Paid in full.	-	657,778
Less: unamortized debt issuance costs	-	(7,926)
Less: unamortized debt issuance costs on TRCA sponsor loan	-	(828)
MHFA, HUD Risk Sharing Loan, secured by Fox Pointe Townhomes, payable in full on March 1, 2046 with monthly payments of \$3,592 including interest of 4.25%.	762,108	-
Less: unamortized debt issuance costs	(31,920)	(28,882)
Less: unamortized debt issuance costs on TRCA sponsor loan	(807)	-
Harvest Ridge Townhomes		
GMHF mortgage payable, secured by Harvest Ridge, payable on June 8, 2035, including interest at 1%.	400,000	400,000
First Homes mortgage payable, secured by Harvest Ridge, payable on June 8, 2035, including interest at 1%.	300,000	300,000
MHFA mortgage payable, secured by Harvest Ridge, payable on March 1, 2036, including interest at 1%.	262,031	262,031
MHFA mortgage payable, secured by Harvest Ridge, payable in monthly installments of \$1,128, including interest at 6.05%, final payment due March 1, 2036.	136,440	141,559
Less: unamortized debt issuance costs	(23,663)	(25,615)

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

NOTE 11 – LONG-TERM DEBT (CONTINUED)

	2020	2019
North & South Oak Apartments		
USDA Rural Development, mortgage payable, secured by North & South Oak Apartments, payable in monthly installments of \$2,867, including interest at 2.875%, final payment due October 3, 2046.	\$ 878,145	\$ 884,962
MHFA PARIF mortgage payable, secured by North & South Apartments, payable on October 4, 2046, including 0% interest.	505,888	505,888
Prairiewood Townhomes		
GMHF mortgage payable, secured by Prairiewood Townhomes payable in monthly installments of \$1,679, including interest at 6%, final payment due May 20, 2031.	255,339	260,010
Less: unamortized debt issuance costs	(5,815)	(6,452)
Spring Creek Townhomes		
Mortgage note, First National Bank of Northfield, payable in monthly installments of \$2,892, including interest at 4.5%, collateralized by all property and equipment, balance due January 10, 2029.	441,373	455,531
Less: unamortized debt issuance costs	(5,125)	(5,883)
Trailside of Albert Lea, LP		
Minnwest Bank mortgage payable, secured by Trailside Apartments, payable in monthly installments of \$12,850, including interest at 7.48%, final payment due December 10, 2024.	1,480,555	1,520,533
Less: unamortized debt issuance costs	(5,075)	(6,430)
MHFA HOME, mortgage payable, secured by Trailside Apartments payable on December 31, 2036, including interest at 1%.	1,184,921	1,184,921
GMHF mortgage payable, secured by Trailside Apartments, payable on December 19, 2036, including interest at 1%.	400,000	400,000
SWMHP mortgage payable, secured by Trailside Apartments, payable on December 19, 2025, including interest at 1%.	50,000	50,000
Less: unamortized debt issuance costs	(2,681)	(2,848)
Wazuweeta Woods Apartments		
MHFA mortgage payable, secured by Wazuweeta Woods, personally guaranteed by two limited partners and the assignment of the Contract for Private Development and Tax Increment Revenue Note with Pine Island Economic Development Authority, payable in monthly installments of \$5,480, including interest at 5.75%, final payment due April 1, 2033.	579,987	611,414

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

NOTE 11 – LONG-TERM DEBT (CONTINUED)

	2020	2019
Wazuweeta Woods Apartments (Continued)		
MHFA Challenge Program, secured by Wazuweeta Woods, payable on July 1, 2032, including 0% interest.	\$ 567,701	\$ 567,701
GMHF mortgage payable, secured by Wazuweeta Woods, payable on July 1, 2032, including 0% interest.	360,000	360,000
First Homes Properties, payable July 1, 2032, including 0% interest.	388,000	388,000
Less: unamortized debt issuance costs	(4,041)	(4,641)
	18,972,474	17,346,330
Less: current maturities	(223,763)	(1,020,704)
Total long-term debt	\$ 18,748,711	\$ 16,325,626

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

2021	\$ 223,763
2022	226,934
2023	239,188
2024	1,529,495
2025	254,918
2026 and thereafter	16,640,268
Less unamortized debt issuance costs	(142,092)
Total	\$ 18,972,474

For 2019, in connection with some of Three Rivers' outstanding debt agreements, Three Rivers' had agreed to certain restrictive covenants. For 2019, Three Rivers' violated some of these covenants; however, those violations were waived by the lender.

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

NOTE 11 – LONG-TERM DEBT (CONTINUED)

	2020	2019
Three Rivers	\$ 44,084	\$ 49,246
Bridge Run Townhomes, LLC	25,528	26,136
Eagle Ridge Apartments, LP	51,913	53,474
Fox Pointe	45,341	146,520
Harvest Ridge Townhomes	20,109	20,429
North & South Oak Apartments	28,129	25,967
Prairiewood Townhomes	16,320	16,571
Spring Creek Townhomes	21,477	22,072
Trailside of Albert Lea, LP	132,259	134,870
Wazuweeta Woods Apartments	34,938	36,708
Total interest expense	\$ 420,098	\$ 531,993

NOTE 12 – CAPITAL LEASE

Three Rivers entered into a long-term lease for a copy machine. The lease is due in monthly payments through June 2021. The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31:

2021	5,820
Less: amounts representing interest	(957)
Present value of net minimum lease payments	\$ 4,863

The copy machine had a cost of \$48,630 and accumulated depreciation of \$43,767 and \$34,041 at December 31, 2020 and 2019, respectively. The outstanding debt is reflected under Note 11.

NOTE 13 – OPERATING LEASES

Three Rivers is subject to operating leases covering primarily premises and office equipment with lease periods expiring between 2021 and 2024. Lease expense was \$434,365 and \$447,864 for 2020 and 2019, respectively. Minimum future lease obligations are as follows:

2021	\$ 433,402
2022	249,866
2023	154,341
2024	82,914
Total	\$ 920,523

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

NOTE 14 – RETIREMENT PLAN

Three Rivers maintains a defined contribution retirement plan covering substantially all employees. Three Rivers' contributions to the Plan are based on employee contributions and length of service. This Plan is intended to qualify under Internal Revenue Code Section 403(b). Three Rivers contributed \$209,168 and \$190,273 to the Plan for 2020 and 2019, respectively.

NOTE 15 – CONTINGENCIES

Three Rivers provides a self-insured short-term disability program to certain qualifying employees, which may provide 67% of an employee's weekly earnings up to a maximum of 12 weeks. During 2020, the plan was expanded to offer 3 weeks of pay to all employees for wages lost due to COVID-19 that were not covered by other federal programs. Under this program the annual average payout over the most recent 5 years is \$23,867. Three Rivers paid amounts \$40,148 and \$21,906 in benefits under this program for 2020 and 2019, respectively.

Three Rivers has elected out of Minnesota state unemployment insurance and participated in a grantor trust to cover unemployment insurance claims. Restricted cash represents Three Rivers' estimated cash balance for eligible unemployment claims. If claims exceed payments into the trust Three Rivers could become liable for those claims.

Fox Pointe Townhomes LP had a letter of credit in the aggregate amount of \$23,100 as of December 31, 2020. The Letter of Credit expired January 30, 2021.

NOTE 16 – COMMITMENTS

Rehabilitation of Clover Patch Apartments in St. Charles, MN was in progress as of December 31, 2020. Construction was planned in 2 phases. Phase I, which primarily updated the exterior of the property, was completed in December 2020. Phase II, interior updates to the property, is planned for Quarters 1 and 2 of 2021. Contracts in place for Phase II rehabilitation include \$1,064,958 with TLS Companies LLC for the construction, and \$25,000 with Blumentals/Architecture Inc. for architectural services and construction supervision. The total planned cost for Phase II is \$1,109,517, with \$1,094,000.00 funded by a USDA 515 loan, and the remainder a Three Rivers match. Construction in progress was \$85,976 as of 12/31/2020.

Three Rivers has entered into an MOU with One Roof Community Housing to act as a co-developer on the Brewery Creek multi-family housing project in Duluth, MN. Three Rivers agrees to act as the lead (“named”) applicant to Minnesota Housing Finance Agency for award of Low Income Housing Tax Credits, and pay for costs incurred prior to funding, to be reimbursed at the initial project closing. Three Rivers will also act as the lead in financial modeling, funding source analysis, and managing project closing and construction of the project, in return for 40% of the final developer’s fee. Three Rivers will serve as co-General Partner and exit the partnership at stabilization.

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

NOTE 17 – CONCENTRATION

Concentration of Credit Risk

Financial instruments that potentially subject Three Rivers to concentrations of credit risk consist principally of temporary cash investments. Three Rivers places its temporary cash investments with financial institutions and limits the credit exposure to any one financial institution by requiring specific collateral pledges of investment quality securities, (U.S. government or municipalities) for balances in excess of FDIC insurance limits. As of December 31, 2020 and 2019, Three Rivers had obtained collateral pledges of these securities in excess of bank balance, and thereby limited credit exposure.

NOTE 18 – RISKS AND UNCERTAINTIES

On March 13, 2020, a national emergency was declared for COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Organization may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect of the Organization's consolidated financial statements cannot be determined at this time.

NOTE 19 – SUBSEQUENT EVENTS

Three Rivers was awarded loan funds from Minnesota Housing in 2018 to purchase and rehabilitate Rivers Edge and Woodknoll Apartments in Cannon Falls. The two adjacent properties will be combined into a single project to be called Riverwood Apartments. This occupied, 39-unit project will serve households earning 60% of area median income or below. The total development cost is approximately \$3.8 million. Primary sources include a new \$800,000 amortizing mortgage, \$570,000 of assumed mortgages (one for each property) subordinated to the new first mortgage, a \$2.3 million deferred loan, and \$77,000 of grants and rebates. Acquisition and close of financing were completed January 29, 2021 with rehabilitation beginning immediately.

Three Rivers was awarded loan funds and low-income housing tax credits (LIHTC) from Minnesota Housing in 2019 to construct Spring Creek II Townhomes in Northfield, MN, adjacent to our existing Spring Creek project. This project will develop 32 – 2, 3- and 4-bedroom townhomes, housing families at or below 60% of the Area Median Income (AMI). The total development cost is approximately \$11 million. Primary sources include a \$6.7 million federal HOME loan, \$2.8 million syndicator equity, and \$1.5 million in permanent local loans and other rebates. Close of financing and beginning of construction are planned for the 2nd Quarter of 2021.

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

NOTE 19 – SUBSEQUENT EVENTS (CONTINUED)

Three Rivers was awarded loan funds and low-income tax credits from Minnesota Housing to purchase and rehabilitate Ridgely Park Apartments in Kassota, MN. This USDA RD 515 project contains 24 units of affordable housing and a HUD Section 8 HAP contract that provides rental subsidies to all 24 units. The ownership entity, Ridgely Park Apartments LP will acquire/rehabilitate the project and assume the existing HAP contract. Households served by this project will be at or below 60% AMI. The total development cost is \$4,037,998. Primary funding sources include a \$674,000 first mortgage from Greater Minnesota Housing Fund, \$2,278,627 in syndicator equity, \$840,000 in deferred loan funds from Minnesota Housing, \$198,000 in an assumed RD 515 mortgage and \$47,371 in sales tax rebates. Close of financing and beginning construction are planned for the 2nd Quarter of 2021.

Three Rivers was awarded loan funds and tax credits from Minnesota Housing to purchase and rehabilitate Knollwood Apartments in Pine Island, MN. This USDA RD 515 project contains 24 units of affordable housing and USDA RD Rental Assistance that provides rental subsidies to all 24 units. The ownership entity, Knollwood Apartments LP will acquire/rehabilitate the project and assume the existing RD Rental Assistance slots. Households served by this project will be at or below 60% AMI. The total development cost is \$3,943,761. Primary funding sources include \$2,431,675 in syndicator equity, \$950,407 in deferred loan funds from Minnesota Housing, \$516,711 in an assumed RD 515 mortgage, \$3,300 in energy rebates and \$41,669 in sales tax rebates. Close of financing and beginning construction are planned for the 4th Quarter of 2021.

The Organization has evaluated subsequent events through May 19, 2021 which is the date that the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Three Rivers Community Action, Inc. and Subsidiaries
Consolidating Statement of Financial Position
As of December 31, 2020

	Three Rivers	Bridge Run Townhomes, LLC	Eagle Ridge Apartments LP	Fox Point Townhomes	Harvest Ridge Townhomes	North & South Oak Apartments
Assets						
Current assets						
Cash and cash equivalents	\$ 5,155,703	39,537	\$ 135,039	\$ 137,201	\$ 20,363	\$ 146,089
Restricted cash	912,550	201,129	278,238	204,451	92,309	582,612
Investments, at fair value	85,130	-	-	-	-	-
Grants receivable	1,768,547	-	-	-	-	-
Accounts receivable	705,533	1,952	2,363	5,294	1,177	13,126
Current portion of contracts receivable	95,852	-	-	-	-	-
Prepaid expenses	64,258	11,734	19,833	5,454	7,252	14,900
Total current assets	<u>8,787,573</u>	<u>254,352</u>	<u>435,473</u>	<u>352,400</u>	<u>121,101</u>	<u>756,727</u>
Noncurrent assets						
Contracts receivable	1,668,216	-	-	-	-	-
Other assets	668,374	2,016	-	59,563	-	11,635
Affordable housing projects	9,960,297	1,516,693	2,897,137	8,014,302	1,400,713	3,860,681
Property and equipment	3,642,319	-	-	-	-	-
Total noncurrent assets	<u>15,939,206</u>	<u>1,518,709</u>	<u>2,897,137</u>	<u>8,073,865</u>	<u>1,400,713</u>	<u>3,872,316</u>
Total assets	<u>\$ 24,726,779</u>	<u>\$ 1,773,061</u>	<u>\$ 3,332,610</u>	<u>\$ 8,426,265</u>	<u>\$ 1,521,814</u>	<u>\$ 4,629,043</u>
Liabilities and Net Assets						
Current liabilities						
Current portion of long-term debt	\$ 61,564	\$ 10,921	\$ 26,920	\$ 10,921	\$ 5,437	\$ 9,350
Line of credit	105,216	-	-	-	-	-
Accounts payable and accrued expenses	1,198,048	33,834	75,411	260,259	53,156	120,452
Deferred revenue	18,451	146	9,725	1,699	933	5,081
Grant advances	1,996,809	-	-	-	-	-
Total current liabilities	<u>3,380,088</u>	<u>44,901</u>	<u>112,056</u>	<u>272,879</u>	<u>59,526</u>	<u>134,883</u>
Long-term liabilities						
Accrued interest	2,080	77,614	180,562	2,699	148,541	58,472
Section 1602 deferred grant	-	420,189	-	-	-	-
Long-term debt and affordable housing projects	7,131,568	1,063,858	1,683,463	862,277	1,069,371	2,063,590
Total long-term liabilities	<u>7,133,648</u>	<u>1,561,661</u>	<u>1,864,025</u>	<u>864,976</u>	<u>1,217,912</u>	<u>2,122,062</u>
Total liabilities	<u>10,513,736</u>	<u>1,606,562</u>	<u>1,976,081</u>	<u>1,137,855</u>	<u>1,277,438</u>	<u>2,256,945</u>
Net assets (deficits)						
Without donor restrictions	14,213,043	166,499	1,356,529	274,336	244,376	(45)
Noncontrolling interest in consolidated subsidiaries	-	-	-	7,014,074	-	2,372,143
Total net assets	<u>14,213,043</u>	<u>166,499</u>	<u>1,356,529</u>	<u>7,288,410</u>	<u>244,376</u>	<u>2,372,098</u>
Total liabilities and net assets	<u>\$ 24,726,779</u>	<u>\$ 1,773,061</u>	<u>\$ 3,332,610</u>	<u>\$ 8,426,265</u>	<u>\$ 1,521,814</u>	<u>\$ 4,629,043</u>

Prairiewood Townhomes	Spring Creek Townhomes	Trailside of Albert Lea LP	Wazuweeta Woods Apartments	Eliminations	Consolidated Total
\$ 59,098	\$ 123,154	\$ 726,414	\$ 23,353	\$ -	\$ 6,565,951
194,942	242,178	324,996	122,401	-	3,155,806
-	-	-	-	-	85,130
-	-	-	-	-	1,768,547
3,057	19,993	14,735	11,290	-	778,520
-	-	-	-	-	95,852
5,189	11,195	29,919	15,095	-	184,829
<u>262,286</u>	<u>396,520</u>	<u>1,096,064</u>	<u>172,139</u>	<u>-</u>	<u>12,634,635</u>
-	-	-	-	(870,379)	797,837
24,200	14,305	2,323	-	-	782,416
4,648,073	4,262,784	5,222,496	1,168,208	(4,293,911)	38,657,473
-	-	-	-	-	3,642,319
<u>4,672,273</u>	<u>4,277,089</u>	<u>5,224,819</u>	<u>1,168,208</u>	<u>(5,164,290)</u>	<u>43,880,045</u>
<u>\$ 4,934,559</u>	<u>\$ 4,673,609</u>	<u>\$ 6,320,883</u>	<u>\$ 1,340,347</u>	<u>\$ (5,164,290)</u>	<u>\$ 56,514,680</u>
\$ 4,959	\$ 15,152	\$ 45,257	\$ 33,282	\$ -	\$ 223,763
-	-	-	-	-	105,216
237,223	95,340	119,190	49,775	-	2,242,688
2,853	3,181	7,441	2,562	-	52,072
-	-	-	-	-	1,996,809
<u>245,035</u>	<u>113,673</u>	<u>171,888</u>	<u>85,619</u>	<u>-</u>	<u>4,620,548</u>
1,277	1,159	224,674	-	(58,472)	638,606
-	-	-	-	-	420,189
344,565	421,097	3,062,464	1,858,365	(811,907)	18,748,711
345,842	422,256	3,287,138	1,858,365	(870,379)	19,807,506
<u>590,877</u>	<u>535,929</u>	<u>3,459,026</u>	<u>1,943,984</u>	<u>(870,379)</u>	<u>24,428,054</u>
113,840	(154)	2,111,629	26,901	(4,293,911)	14,213,043
4,229,842	4,137,834	750,228	(630,538)	-	17,873,583
<u>4,343,682</u>	<u>4,137,680</u>	<u>2,861,857</u>	<u>(603,637)</u>	<u>(4,293,911)</u>	<u>32,086,626</u>
<u>\$ 4,934,559</u>	<u>\$ 4,673,609</u>	<u>\$ 6,320,883</u>	<u>\$ 1,340,347</u>	<u>\$ (5,164,290)</u>	<u>\$ 56,514,680</u>

Three Rivers Community Action, Inc. and Subsidiaries
Consolidating Statement of Activities
Year Ended December 31, 2020

	Three Rivers	Bridge Run Townhomes, LLC	Eagle Ridge Apartments LP	Fox Point Townhomes	Harvest Ridge Townhomes
Revenue					
Federal grant revenue	\$ 9,626,410	\$ -	\$ -	\$ -	\$ -
State grant revenue	3,142,180	-	-	-	-
Other grant revenue	138,126	-	-	-	-
Contributions	361,244	-	-	-	-
Other program revenue	1,495,700	72,887	13,939	25,110	187
Rental income	781,294	184,799	419,966	313,054	166,725
Investment income	34,162	1,843	2,502	173	836
Total revenue	<u>15,579,116</u>	<u>259,529</u>	<u>436,407</u>	<u>338,337</u>	<u>167,748</u>
Expenses					
Direct services	3,712,596	-	-	-	-
Salaries and wages	5,509,918	-	-	-	-
Fringe benefits	2,635,746	-	-	-	-
Training and travel	118,998	-	-	-	-
Telephone and technology	283,870	-	-	-	-
Office supplies	273,290	-	-	-	-
Space costs and utilities	513,524	-	-	-	-
Equipment and maintenance	369,544	-	-	-	-
Vehicle repairs and maintenance	414,969	-	-	-	-
Other costs	563,981	-	-	-	-
Housing partnerships	-	117,110	274,194	233,570	145,502
Depreciation and amortization	608,503	73,146	117,811	258,751	58,829
Interest	44,084	25,528	51,913	45,341	20,109
Total expenses	<u>15,049,023</u>	<u>215,784</u>	<u>443,918</u>	<u>537,662</u>	<u>224,440</u>
Total change in net assets before noncontrolling interest	530,093	43,745	(7,511)	(199,325)	(56,692)
Change in noncontrolling interest in affordable housing projects	244,500	-	-	199,305	56,686
Total change in net assets	774,593	43,745	(7,511)	(20)	(6)
Net Assets					
Beginning of year	13,438,450	153,277	1,411,876	274,356	(118)
Distributions	-	(30,523)	(47,836)	-	-
Transfer of non-controlling interest in Harvest Ridge Townhomes	-	-	-	-	244,500
End of year	<u>\$ 14,213,043</u>	<u>\$ 166,499</u>	<u>\$ 1,356,529</u>	<u>\$ 274,336</u>	<u>\$ 244,376</u>

North & South Oak Apartments	Prairiewood Townhomes	Spring Creek Townhomes	Trailside of Albert Lea LP	Wazuweeta Woods Apartments	Eliminations	Consolidated Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,626,410
-	-	-	-	-	-	3,142,180
-	-	-	-	-	-	138,126
-	-	-	-	-	-	361,244
38,268	2,500	33,669	17,240	26,354	(399,432)	1,326,422
329,481	306,879	267,754	904,946	221,186	(73,364)	3,822,720
575	674	668	2,065	1,089	-	44,587
<u>368,324</u>	<u>310,053</u>	<u>302,091</u>	<u>924,251</u>	<u>248,629</u>	<u>(472,796)</u>	<u>18,461,689</u>
-	-	-	-	-	-	3,712,596
-	-	-	-	-	(100,089)	5,409,829
-	-	-	-	-	(47,101)	2,588,645
-	-	-	-	-	-	118,998
-	-	-	-	-	-	283,870
-	-	-	-	-	-	273,290
-	-	-	-	-	-	513,524
-	-	-	-	-	-	369,544
-	-	-	-	-	-	414,969
-	-	-	-	-	-	563,981
210,680	243,815	246,519	631,436	158,764	(289,484)	1,972,106
169,982	245,102	256,845	342,398	57,087	-	2,188,454
28,129	16,320	21,477	132,259	34,938	-	420,098
<u>408,791</u>	<u>505,237</u>	<u>524,841</u>	<u>1,106,093</u>	<u>250,789</u>	<u>(436,674)</u>	<u>18,829,904</u>
(40,467)	(195,184)	(222,750)	(181,842)	(2,160)	(36,122)	(368,215)
<u>40,463</u>	<u>195,164</u>	<u>222,728</u>	<u>181,824</u>	<u>2,138</u>	<u>(244,500)</u>	<u>898,308</u>
(4)	(20)	(22)	(18)	(22)	(280,622)	530,093
(41)	113,860	(128)	2,111,648	26,923	(4,091,653)	13,438,450
-	-	(4)	(1)	-	78,364	-
-	-	-	-	-	-	244,500
<u>\$ (45)</u>	<u>\$ 113,840</u>	<u>\$ (154)</u>	<u>\$ 2,111,629</u>	<u>\$ 26,901</u>	<u>\$ (4,293,911)</u>	<u>\$ 14,213,043</u>

Three Rivers Community Action, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Fund #	Pass-Through Grantor	Cluster/Program Title	Federal CFDA	Agency or Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture						
600		Clover Patch Rural Rental Housing Loan	10.415	020-005		\$ 467,126
600		Clover Patch Rural Rental Housing Loan	10.415	020-006		387,500
600		Clover Patch Rural Rental Housing Loan	10.415	020-004		66,879
601		Southside Rural Rental Housing Loan	10.415	039-003		139,687
603		Northbridge Rural Rental Housing Loan	10.415	012-001		1,251,599
		Total CFDA 10.415				<u>2,312,791</u>
110, 119, 150, 168	MDE	Child and Adult Care Food Program (CACFP)	10.558	441603		<u>49,564</u>
		<i>SNAP Cluster:</i>				
850, 851	MN DHS	State Administrative Matching Grants for SNAP	10.561	133144		43,746
		Total SNAP Cluster and Total CFDA 10.561				<u>43,746</u>
		Total U.S. Department of Agriculture				<u>2,406,101</u>
U.S. Housing and Urban Development						
		<i>CDBG - Entitlement Grants Cluster</i>				
607	City of NF	Community Development Block Grants - Northern Oaks	14.218	N/A		70,289
		Total CSBG - Entitlement Grants Cluster and Total CFDA 14.218				<u>70,289</u>
699	MN DHS	Emergency Solutions Grant Program -RH	14.231	126828		<u>56,497</u>
610	Enterprise	Capacity Building for CD and Affordable Housing	14.252	19SG1571		<u>39,557</u>
603	MHFA	Home Investment Partnerships Program	14.239	Northbridge Apartments		1,000,000
607	MHFA	Home Investment Partnerships Program	14.239	Northern Oaks		320,000
		Total CFDA 14.239				<u>1,320,000</u>
629	Red Wing HRA	Permanent Supportive Housing	14.267	MN0246L5K		644
639, 639		Permanent Supportive Housing	14.267	MN0306L5K		147,187
640		Continuum of Care Planning Grant	14.267	MN0380L5K		64,024
659, 200		Continuum of Care Coordinated Entry	14.267	MN0366L5K	\$ 30,028	137,310
210		CoC Coordinated Entry DV Navigator	14.267	MN0464D5K		7,983
679, 670		Rapid Rehousing	14.267	MN0065L5K		98,937
		Total CFDA 14.267				<u>59,951</u>
		Total U.S. Housing and Urban Development				<u>89,979</u>
						<u>1,942,428</u>
U.S. Department of Transportation						
730	MN DOT	Formula Grants for Rural Areas	20.509	MN-2019-018-00		156,964
	MN DOT	COVID-19 Formula Grants for Rural Areas	20.509	MN-2020-018-00		2,700,550
		Total CFDA 20.509				<u>2,857,514</u>
		Total U.S. Department of Transportation				<u>2,857,514</u>
U.S. Department of the Treasury						
150	MN DHS	COVID-19 Coronavirus Relief Fund	21.019	N/A		21,250
710	SEMAAA	COVID-19 Coronavirus Relief Fund	21.019	310-20-03C2-CV-001		50,000
280	City of FBLT	COVID-19 Coronavirus Relief Fund	21.019	2020-127		42,252
290	MHFA	COVID-19 Coronavirus Relief Fund	21.019	N/A		2,234,870
		Total CFDA 21.019				<u>2,348,372</u>
		Total U.S. Department of the Treasury				<u>2,348,372</u>
U.S. Department of Energy						
519, 510	MN DOE	Weatherization Assistance for Low-Income Persons	81.042	A2500		<u>167,986</u>
		Total U.S. Department of Energy				<u>167,986</u>
U.S. Department of Health and Human Services						
		<i>Aging Cluster:</i>				
720	SEMAAA	Title III, Part B Grants for Supportive Services and Senior Centers	93.044	310-19-003B-063		28,448
710	SEMAAA	Title III, Part C - Nutrition Services	93.045	310-19-03C2-002		17,632
710	SEMAAA	COVID-19 Title III, Part C - Nutrition Services	93.045	310-19-03C2-002		114,279
710	SEMAAA	Nutrition Services Incentive Program	93.053	310-19-03C2-002		14,844
		Total Aging Cluster				<u>175,203</u>
700	SEMAAA	National Family Caregiver Support, Title III, Part E	93.052	310-19-003E-005		<u>53,130</u>
540, 549	MN DOC	Low-Income Home Energy Assistance	93.568	A2108, A2109		101,300
550, 551	MN DOC	Low-Income Home Energy Assistance	93.568	1563		754,005
	MN DOC	Low-Income Home Energy Assistance - Direct Client Benefits	93.568	N/A		2,950,710
		Total CFDA 93.568				<u>3,806,015</u>
039	MNDHS	Community Services Block Grant	93.569	127536		390,003
030	MNDHS	COVID-19 Community Services Block Grant	93.569	N/A		145,605
		Total CFDA 93.569				<u>535,608</u>
		<i>Head Start Cluster</i>				
119, 110		Head Start	93.600	05CH010889		1,786,659
110		Head Start - Covid funds	93.600	N/A		130,895
		Total Head Start Cluster and CFDA 93.600				<u>1,917,554</u>
		Total U.S. Department of Health and Human Services				<u>6,487,510</u>
		Total Expenditures of Federal Awards			\$ 89,979	\$ 16,209,911

Three Rivers Community Action, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Three Rivers Community Action, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Three Rivers Community Action, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Three Rivers Community Action, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – PASS-THROUGH ENTITY IDENTIFICATION NUMBERS

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

NOTE 5 – ENERGY ASSISTANCE PAYMENTS

Included in CFDA 93.568 are client benefits paid by the State of Minnesota of \$2,950,710. These expenditures are not included in the consolidated statement of activities.

Three Rivers Community Action, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

NOTE 6 – FEDERAL LOAN PROGRAMS

The federal loan programs balances and transactions relating to these programs are included in Organization's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2020, consists of:

Program Title	Federal CFDA Number	Amount Outstanding
Clover Patch Rural Rental Housing Loan	10.415	\$ 463,551
Clover Patch Rural Rental Housing Loan	10.415	384,535
Clover Patch Rural Rental Housing Loan	10.415	66,879
Southside Rural Rental Housing Loan	10.415	137,760
Northbridge Rural Rental Housing Loan	10.415	1,241,251
Home Investment Partnerships Program	14.239	1,320,000

The Organization is obligated on three Rental Assistance and Interest Credit loans. The Organization is also obligated on a Home Targeted deferred loan. These loans require significant continuing compliance, primarily eligibility, and allowability.

NOTE 7 – RECONCILIATION TO THE CONSOLIDATED STATEMENT OF ACTIVITIES

Total expenditures of federal awards	\$ 16,209,911
Less direct client benefits	(2,950,710)
Less beginning balance Clover Patch rural rental housing loans	(854,626)
Less beginning balance Southside rural rental housing loan	(139,687)
Less beginning balance Northbridge rural rental housing loan	(1,251,599)
Less beginning balance HOME investment partnerships program	(1,320,000)
Less loan distribution Clover Patch rural rental housing	(66,879)
Total federal grant revenue per consolidated statement of activities	<u>\$ 9,626,410</u>

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Three Rivers Community Action, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year ended December 31, 2020, and the related notes to consolidated financial statements and have issued our report thereon dated May 19, 2021. The financial statements of Bridge Run Townhomes Limited Liability Company, Eagle Ridge Apartments Limited Partnership, Fox Pointe Townhomes Limited Partnership, Harvest Ridge Townhomes Limited Partnership, North and South Oak Apartments Limited Partnership, Prairiewood Townhomes Limited Partnership, Spring Creek Townhomes Limited Partnership, Trailside Apartments of Albert Lea Limited Partnership, and Wazuweeta Woods Limited Partnership were not audited in accordance with *Government Auditing Standards* as these entities did not receive federal funding and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

Purpose of This Report

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

BergankDV, Ltd.

St. Cloud, Minnesota
May 19, 2021

**Report on Compliance for Each Major Federal
Program and on Internal Control Over
Compliance in Accordance with the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Three Rivers Community Action, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Three Rivers Community Action, Inc.'s major federal programs for the year ended December 31, 2020. Three Rivers Community Action, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management of Three Rivers Community Action, Inc. 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 Three Rivers Community Action, 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; 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 Three Rivers Community Action, 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 Three Rivers Community Action, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Three Rivers Community Action, Inc. complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Three Rivers Community Action, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered Three Rivers Community Action, 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 Three Rivers Community Action, 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.

Purpose of Report

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

BergankDV, Ltd.

St. Cloud, Minnesota
May 19, 2021

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Programs

CFDA No.:	14.239
Name of Federal Program or Cluster	Home Investment Partnership Program
CFDA No.:	20.509
Name of Federal Program or Cluster	Formula Grants for Rural Areas COVID-19 Formula Grants for Rural Areas
CFDA No.:	21.019
Name of Federal Program or Cluster	Coronavirus Relief Fund
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low risk auditee?	Yes

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.