

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021**

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

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June 30, 2021**

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Arrowhead Economic Opportunity Agency

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Arrowhead Economic Opportunity Agency (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the 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 audit. We did not audit the financial statements of the Ivy Manor Limited Partnership, a subsidiary, which statements reflect total assets of \$6,943,051, as of December 31, 2020, and total support and revenues of \$248,255, for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ivy Manor Limited Partnership, is based solely on the report of the other auditors. We conducted our audit 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 the Ivy Manor Limited Partnership were not audited in accordance with *Government Auditing Standards*.

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 entity’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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arrowhead Economic Opportunity Agency and subsidiaries as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or 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 December 8, 2021 on our consideration of Arrowhead Economic Opportunity Agency and subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion

on the effectiveness of Arrowhead Economic Opportunity Agency and subsidiaries' 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 Arrowhead Economic Opportunity Agency and subsidiaries internal control over financial reporting and compliance.

Walker, Giroux & Helne, LLC

Virginia, Minnesota
December 8, 2021

FINANCIAL STATEMENTS

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021**

ASSETS

CURRENT ASSETS

Cash	\$ 8,970,604
Grants receivable	3,478,294
Other receivables	991,939
Inventory	280,113
Prepaid expense	349,379
Other current assets	<u>94,922</u>
TOTAL CURRENT ASSETS	14,165,251

LOANS RECEIVABLE	5,017,511
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PROPERTY AND EQUIPMENT (NET)	13,285,481
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DEFERRED COMPENSATION INVESTMENT	<u>110,051</u>
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TOTAL ASSETS	<u>\$ 32,578,294</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion, long-term debt	\$ 259,437
Accounts payable	1,067,415
Accrued paid leave	1,522,402
Unearned revenue	<u>1,457,214</u>
TOTAL CURRENT LIABILITIES	<u>4,306,468</u>

LONG-TERM LIABILITIES

Deferred revenue - loans	5,017,511
Deferred compensation	110,051
Long-term debt, net of current portion	<u>3,464,128</u>
TOTAL LONG-TERM LIABILITIES	<u>8,591,690</u>

TOTAL LIABILITIES	<u>12,898,158</u>
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NET ASSETS

Without donor restrictions	
Controlling interest	
Undesignated	2,954,672
Designated for programs	12,064,542
Non-controlling interest	
Undesignated	4,617,350
With donor restrictions	<u>43,572</u>
TOTAL NET ASSETS	<u>19,680,136</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,578,294</u>
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The accompanying notes are an integral part of these financial statements.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

NET ASSETS WITHOUT DONOR RESTRICTIONS

SUPPORT AND REVENUES

Federal grants	
Direct	\$ 4,382,652
Flow through	9,008,538
State grants	12,301,810
Program income and other	<u>9,276,254</u>

TOTAL SUPPORT AND REVENUES 34,969,254

EXPENSES

Program services	28,040,924
Supporting services	
Management and general	7,439,936
Fundraising	<u>18,122</u>

TOTAL EXPENSES 35,498,982

Loss on disposal of fixed assets 53,863

TOTAL EXPENSES AND LOSSES 35,552,845

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS (583,591)

NET ASSETS AT BEGINNING OF YEAR 20,263,727

NET ASSETS AT END OF YEAR \$ 19,680,136

The accompanying notes are an integral part of these financial statements.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel				
Salaries and wages	\$ 9,945,919	\$ 3,666,700	\$ -	\$ 13,612,619
Pension	392,633	184,805	-	577,438
Other benefits	3,013,745	1,290,340	-	4,304,085
Payroll taxes	776,832	289,932	-	1,066,764
Professional services	117,653	151,603	-	269,256
Advertising	10,488	358,232	-	368,720
Office expenses	567,494	473,813	10	1,041,317
Information technology	406,840	213,121	-	619,961
Occupancy	1,139,934	370,714	-	1,510,648
Travel	901,398	55,619	-	957,017
Conferences and meetings	16,645	13,806	-	30,451
Insurance	346,670	7,104	-	353,774
Repairs and maintenance	1,331,348	30,338	-	1,361,686
Client services	6,765,637	42,232	18,112	6,825,981
Interest expense	12,247	11,122	-	23,369
Miscellaneous	406,955	106,785	-	513,740
Depreciation and amortization	<u>1,888,486</u>	<u>173,670</u>	<u>-</u>	<u>2,062,156</u>
TOTAL EXPENSES	<u>\$ 28,040,924</u>	<u>\$ 7,439,936</u>	<u>\$ 18,122</u>	<u>\$ 35,498,982</u>

The accompanying notes are an integral part of these financial statements.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in consolidated net assets	\$ (583,591)
Adjustments to reconcile change in consolidated net assets to net cash provided by operating activities:	
Depreciation	2,050,296
Amortization	212
Loss on disposal of fixed assets	53,863
(Increase) decrease in:	
Grants receivable	1,762,026
Other receivables	(426,834)
Inventory	13,148
Prepaid expense	(68,248)
Other current assets	8,360
Increase (decrease) in:	
Accounts payable	496,872
Accrued paid leave	198,064
Unearned revenue	<u>(1,194,467)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>2,309,701</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(1,447,329)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	64,000
Repayments of long-term debt	<u>(45,909)</u>
 NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	 <u>18,091</u>
 NET CHANGE IN CASH	 880,463
 CASH AT BEGINNING OF YEAR	 <u>8,090,141</u>
 CASH AT END OF YEAR	 <u>\$ 8,970,604</u>

SUPPLEMENTAL DISCLOSURES

Interest paid	<u>\$ 23,121</u>
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The accompanying notes are an integral part of these financial statements.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Arrowhead Economic Opportunity Agency and its subsidiaries significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Nature of Activities

Arrowhead Economic Opportunity Agency receives and administers various federal, state and county grants throughout the Arrowhead Region of Minnesota, with the purpose of attacking the causes of poverty and unemployment with maximum participation of low-income residents.

AEOA Eveleth Limited Partnership, a Minnesota limited partnership, was formed for the purpose of providing affordable housing and acquiring, rehabilitating, and operating a rental housing complex located in Eveleth, Minnesota utilizing housing tax credits.

The AEOA Foyer Limited Partnership, a Minnesota partnership, was formed to construct property for the purpose of providing housing for area homeless youth.

The Ivy Manor Limited Partnership, a Minnesota limited partnership, was formed for the purpose of providing affordable housing and acquiring, rehabilitating, and operating a rental housing complex located in Virginia, Minnesota utilizing housing tax credits.

Basis of Consolidation

The consolidated financial statements include the accounts and activities of Arrowhead Economic Opportunity Agency, AEOA Eveleth Limited Partnership (the Eveleth Partnership), AEOA Foyer Limited Partnership (the Foyer Partnership), and Ivy Manor Limited Partnership (Ivy Manor Partnership) collectively referred to herein as the "Agency".

Arrowhead Economic Opportunity Agency owns 100% interest and exercises control in the Eveleth Partnership which owns and operates a rental housing complex.

AEOA owns a .01% general partner interest and 99.99% limited interest in the Foyer Partnership which owns and operates the youth foyer property.

AEOA also owns a .01% general partner interest and exercises control in the Ivy Manor Partnership which owns and operates a rental housing complex.

All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting and Presentation

The financial statements of Arrowhead Economic Opportunity Agency have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and reflect all significant receivables, payables, and other liabilities.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for specific programs.

Net assets with donor restrictions are subject to donor-imposed or other legal 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, such as those that the donor stipulates that resources be maintained in perpetuity.

Fund Accounting

The accounts of the Agency are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, the funds have been combined.

Cash

For the purpose of the statement of cash flows, cash is defined as cash on hand, demand deposits, savings, and short-term investments purchased with a maturity of three months or less.

Use of Estimates

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

Grants and Other Receivables

Grants and other receivables consist of grant funds and other funding source receivables. The Agency determines the allowance for doubtful accounts by identifying troubled accounts, considering the grantor or other funding source's financial condition and current economic conditions, and using historical experience applied to an aging of grants and other receivables. The Agency believes all grants receivable will be fully collected.

Property and Equipment

Property and equipment purchased by the Agency in excess of \$5,000 are capitalized and depreciated over their useful lives. Property and equipment are valued at cost or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Total depreciation expense for the year ended June 30, 2021 was \$2,050,296.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The property and equipment acquired with grant award funds is owned by Arrowhead Economic Opportunity Agency while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. The disposition of this property and equipment, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

Inventory

Inventory is comprised of Arrowhead Transit Program parts and central supplies, Weatherization Program supplies, Senior Dining Program supplies, and the Internal Service Fund fuel and supplies, and is stated at the lower of cost (first-in, first-out) or market. Inventory also includes houses and lots purchased by the Agency for rehabilitation and resale. The houses and lots are valued at the lower of specific acquisition and carrying costs or market. All other purchases of materials and supplies are charged to expense at the time of purchase.

Loans Receivable

The Agency provides deferred and low-interest loans to eligible participants in its Housing programs. The loans are evidenced by signed agreements, have varying due dates, and are stated at the unpaid principal balances.

Deferred Compensation Investment

The deferred compensation account investments are valued using market quotations or prices obtained from independent pricing sources.

Revenue Recognition

Contributions and Grants

Contributions are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution contains a condition when both of the following are present:

- An explicit identifying of a barrier, that is more trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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

- Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reflected as grant funds received in advance.
- Grant awards that are exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Program Income

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on the service period of the contract. The Organization measures the performance obligation from these particular services from the beginning of the performance period to the completion of services provided. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Organization does not believe they are required to provide additional goods or services to the client.

Program income is earned as a direct result of the activities funded under a grant and is recognized as revenue over time, in the year services are provided. Program income must be used for the purposes and under the conditions of the Federal award.

Affordable Housing

The Organization participates in a program funded through Minnesota Housing Finance Agency (MHFA) to assist homeowners in the purchase of a home when there is an existing affordability gap. The gap financing is required to be paid back to the Organization, and this expected revenue is deferred until payment occurs. Minnesota Urban and Rural Homesteading (MURL) program income reflects the price determined by the original contract between the Organization and the homeowner and is annualized based on 25% of the homeowner's income.

The Organization sells prebuilt and pre-purchased homes to clients. Revenue is recognized at a point in time, when the home closing takes place. The price of the home depends on the cost of the supplies or specifications of the house as well as comparable houses in the area.

Rental Income

Rental income is recognized as revenue in the year rental space is provided.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Agency receives a significant amount of donated services from unpaid volunteers who assist in its grant programs. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Income Taxes

Arrowhead Economic Opportunity Agency is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota laws. The Agency has also been classified as an entity that is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2021.

Advertising

The Agency uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2021 was \$368,720. This amount was funded, in portion, by grants specifically for this purpose.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all the Agency's programs, which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel

Agency administrative and financial personnel (executive director, assistant director, fiscal director, financial assistants, etc.) record the time they spend working on specific programs and general agency matters on their time sheets. The time specifically identifiable to a particular program is charged to that program. The time spent on general agency matters is charged to the Community Service Block Grant or the Minnesota Community Action Grant.

Space Cost

Space cost is allocated to benefiting programs based on the square footage of space occupied by program personnel. The space costs for administrative and financial personnel are allocated to benefiting programs based on the activity reports of the administrative and financial personnel.

Other Joint Costs

Other joint costs are charged to agency programs based on the amounts used by each program and other appropriate methodology.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The Agency allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. Allocation methods comply with the requirements and limitations of the underlying grants.

Change in Accounting Policy

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency adopted this guidance as of July 1, 2020 and applied Topic 606 on a modified retrospective basis. Analysis of various provisions of this standard resulted in no significant changes in the way the Agency recognizes revenue and therefore, there was no change in opening balances of net assets and no prior period results were restated. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 - INVENTORY

A summary of inventory is as follows:

Transit parts and supplies	\$ 170,905
Weatherization supplies	24,558
Senior Dining supplies	21,536
Internal Service Fund fuel and supplies	<u>63,114</u>
	<u>\$ 280,113</u>

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

Land	\$ 108,203
Buildings and improvements	22,034,309
Vehicles	12,287,801
Equipment	<u>2,146,708</u>
Total	36,577,021
Accumulated depreciation	<u>(23,291,540)</u>
	<u>\$ 13,285,481</u>

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 4 - DEFERRED COMPENSATION

Arrowhead Economic Opportunity Agency, Inc. entered into an investment contract with Mutual of America Life Insurance Company who maintains an account for the Organization whereby deferred compensation contributions are invested as follows:

1. The Mutual of America Interest Accumulation Fund represents the portion of the account invested in the Insurance Company's general account. Under the group annuity insurance contract that supports this product, participants may ordinarily direct permitted withdrawal or transfers of all or a portion of their account balance at contract value within reasonable timeframes. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees. Contract value is also often referred to as "book value". The contract is effected directly between the plan sponsor (or their trustee) and Mutual of America Life Insurance Company. The repayment of principal and interest credited to participants is a financial obligation of Mutual of America Life Insurance Company.

The concept of a value other than contract value does not apply to this insurance company issued general account even upon a discontinuance of the contract in which case contract value would be paid no later than 60 days from the date the sponsor provides notice to discontinue. This contract's operation is different than many other group annuity products in the market by virtue of the fact that a fair value adjustment does not apply upon a discontinuance. There are not any specific securities in the general account that back the liabilities of this annuity contract and it would be inappropriate to look to the market value of the securities within the insurer's general account to determine a fair value. The Plan owns a promise to pay interest at crediting rates which are announced in advance and guaranteed for a specified period of time as outlined in the group annuity contract. This product is not a traditional GIC and therefore there are not any known cash flows that could be discounted. As a result, the fair value amount shown is equal to the contract value.

There are not any events that allow the issuer to terminate the contract and which require the plan sponsor to settle at an amount different than contract value.

When establishing interest crediting rates for this product, Mutual of America Life Insurance Company considers many factors. The minimum crediting rate under the contract is at least equal to the minimum rate required by applicable state law or will be set pursuant to the NAIC standard non-forfeiture law which cannot be less than 1.00%.

Average Yield Earned by Plan	1.00%
Average Yield Credited To Participants	1.00%

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 4 - DEFERRED COMPENSATION (CONTINUED)

2. Forty other investment choices represent the portion of the account invested in the underlying funds of the Pooled Separate Account No. 2.

Funds (such as separate accounts) that have more than one investor are referred to as pooled or commingled investment vehicles. An investor's interest in such investment vehicles is expressed as an accumulation unit with a value per unit that is the result of the accumulated fair values of the underlying investments.

Separate Account No. 2 investments consist solely of investments in mutual funds registered with the Securities and Exchange Commission and are carried at the net asset value at which the mutual fund shares are actively traded. Mutual of America determines accumulation values for the funds as of the close of business on each valuation day (generally at the close of the New York stock exchange). The value of the participant portion of Mutual of America's Separate Account is determined by multiplying the number of accumulation units credited in each fund of the Separate Account by the accumulation unit value of that fund at the end of the valuation day.

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">▪ quoted prices for similar assets or liabilities in active markets;▪ quoted prices for identical or similar assets or liabilities in inactive markets;▪ inputs other than quoted prices that are observable for the asset or liability;▪ inputs that are derived principally from or corroborated by observable market data by correlation or other means.
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If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

See Note 4 for a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

The following tables set forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2021:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investment Contract with Mutual of America Life Insurance Company General Account Mutual of America Interest Accumulation	\$ -	\$ -	\$ 10,425	\$ 10,425
Pooled Separate Account No. 2 Mutual Funds	-	99,626	-	99,626
Total Assets at Fair Value	\$ -	\$ 99,626	\$ 10,425	\$ 110,051

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Agency's Level 3 assets for the years ended June 30, 2021:

	Level 3 Assets
	Mutual of America Interest Accumulation
Balance, beginning of year	\$ 9,397
Contributions	930
Deductions	443
Interest credited	541
Balance, end of year	\$ 10,425

The Agency's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer, usually for allocation changes.

The following table represents the Agency's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments as of June 30, 2021, and the significant unobservable inputs and the ranges of values for those inputs.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

Instrument	Fair Value as of 6/30/21	Principal Valuation Technique	Inputs	Unobservable	Range of Significant Input Values
Interest Accumulation	\$ 10,425	Fair Value = Contract Value	Earnings at Guaranteed Crediting Rate	Unobservable	Gross Guaranteed Crediting Rate must be greater than or equal to the contractual minimum crediting rate

NOTE 6 - UNEARNED REVENUE

The Agency records grant awards as unearned revenue until related services are performed, at which time they are recognized as revenue. A summary of the unearned revenue follows:

Food Shelf	\$ 224,294
Faim West Central	1,100
Tech Connect Project	42,247
Blandin Adult Scholarship	52,782
Enbridge YouthBuild Workshop	10,000
Partners in Caring	1,422
CDBG COVID Single Family Rehab	571
Aitkin County Diversionary Work Program	1,995
FHPAP KOOTASCA	3,246
MN Adult Basic Education	20,402
Small Cities Silver Bay	18,554
Small Cities Two Harbors	39,806
Small Cities Lake County/Finland	800
Lake County HRA Home Energy Improvement	63,329
Arrowhead Transit	903,139
Commissioner's Reserve	11,758
MHFA HECAT	3,324
Youth Support Services DEED	67
HUD Lake/Cook Counties	566
Child Care & Adult Care Food Program	658
Fluoride Varnish	13,475
Cook County Volunteer Fair	500
Groceries to Go	1,580
Hearth Connection LT Homeless Project	10,906
NE MN HOME Consortium	3,291
Essentia Agreements	6,320
Power of Produce	4,381
Hunger Solutions	1,037
Rutabaga Miscellaneous Projects	7,967
Ivy Manor Limited Partnership	<u>7,697</u>
Unearned revenue, end of year	<u>\$ 1,457,214</u>

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 7 - LOANS RECEIVABLE AND DEFERRED REVENUE - LOANS

Arrowhead Economic Opportunity Agency has received funds from various sources to process and disburse loans to eligible participants as determined by the grants. In accordance with grant agreements, loans are expensed to the grant award when disbursed. The Agency records the loans receivable as an asset and deferred revenue - loans as a liability on the balance sheet. Any loan repayments are recorded as revenue in the period received and corresponding entries are made to reduce the asset and liability. Interest payments are recorded as revenue in the period received. The funds received from the loan repayments are used to make other loans to eligible participants.

The loans receivable balances and the programs they relate to at June 30, 2021 are as follows:

Arrowhead Economic Opportunity Agency received a Community Development Block Grant to make low interest loans to eligible low and moderate income persons for housing rehabilitation in St. Louis County (Fund 1180).	\$ 3,564,836
Arrowhead Economic Opportunity Agency contracted with the City of Gilbert to administer low interest loans to individuals and businesses for housing and commercial rehabilitation in the City of Gilbert (Fund 4000).	16,015
Arrowhead Economic Opportunity Agency received a grant from the State of Minnesota Department of Energy and Economic Development Community Development Division to make low interest loans for housing rehabilitation to eligible recipients in single family dwellings in Northern St. Louis County (Fund 4300).	91,013
Arrowhead Economic Opportunity Agency received a grant from the Lake County Housing and Redevelopment Authority and Greater Minnesota Housing Fund to make low interest loans for housing rehabilitation to eligible recipients in single family dwellings in Lake County (Fund 4342).	16,608
Arrowhead Economic Opportunity Agency received a grant from the Lake County Housing and Redevelopment Authority to make low interest loans for housing rehabilitation to eligible recipients in single family dwellings in Lake County (Funds 4350 and 4352).	147,831
Arrowhead Economic Opportunity Agency is administering a program for the Minnesota Housing Finance Agency to provide interim construction/rehabilitation loans, grants and deferred loans for single family residential properties of low and moderate income persons and families (Fund 4620).	62,405

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 7 - LOANS RECEIVABLE AND DEFERRED REVENUE – LOANS (CONTINUED)

Arrowhead Economic Opportunity Agency received a grant from the Greater Minnesota Housing Fund to make low interest loans for housing rehabilitation to single family dwellings owned by low and moderate income households in the St. Louis, Lake, and Cook counties (Fund 4630).	\$ 80,000
Arrowhead Economic Opportunity Agency is administrating a loan program for the Minnesota Housing Finance Agency to provide aid in the financing of the acquisition, construction and/or rehabilitation of dwelling units for persons of low and moderate income (Fund 4680).	15,000
Arrowhead Economic Opportunity Agency contracted with the City of Hibbing to administer low interest loans to individuals for housing rehabilitation in the City of Hibbing (Fund 6660).	63,051
Arrowhead Economic Opportunity Agency received a Homeownership Assistance Program Grant from St. Louis County to provide education and financial assistance to eligible households seeking to become homeowners in the counties of Cook, Lake, Itasca, Koochiching and St. Louis (Fund 8552).	290,627
Arrowhead Economic Opportunity Agency received a grant from the United States Department of Agriculture Rural Development to assist homeowners with financing for private household water well systems (Fund 8600).	53,416
Arrowhead Economic Opportunity Agency received a grant from the United States Department of Agriculture Rural Development for housing preservation loans (Fund 8802).	190,383
Arrowhead Economic Opportunity Agency administers revolving loan programs to make loans to eligible homebuyers (Funds 9600, 9690, and 9800).	426,326
	<u>\$ 5,017,511</u>

NOTE 8 - ACCRUED PAID LEAVE

The Agency maintains a savings and a checking account specifically available for paid leave liability. Arrowhead Economic Opportunity Agency accrues paid leave expense in the period it is earned and records the liability in the Agency’s Internal Service Fund. Paid leave earned by the Agency’s employees at June 30, 2021 was \$1,522,402.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 9 - LONG-TERM DEBT

First mortgage payable to the Minnesota Housing Finance Agency (MHFA) under the Affordable Rental Investment Fund (ARIF) Program. The loan plus accrued interest, at 1%, is due on February 22, 2026 and is secured by the Eveleth Partnership's real estate mortgage.	\$ 200,000
<p>The MHFA regulatory agreement places restrictions on the operation of the Eveleth Limited Partnership, which include among others, the following:</p> <ul style="list-style-type: none"> • Rental rates must be approved by lenders. • Tenants must meet certain income limitations to qualify for occupancy in the Partnership. • Transfer or sale of the Partnership is subject to lender approval. 	
First mortgage payable to the Minnesota Housing Finance Agency (MHFA). The loan bears no interest and is due on December 30, 2039 and is secured by the Foyer Partnership's real estate mortgage.	1,465,043
Note payable to the Saint Louis County, Minnesota Housing and Redevelopment Authority. The loan bears no interest and is conveyed to the mortgagee forever and is secured by the Foyer Partnership's real estate mortgage.	150,000
Note payable to the Northeast Minnesota HOME Consortium. The loan bears no interest and is due on December 31, 2039 and is secured by the Foyer Partnership's real estate mortgage.	100,000
Note payable to the Greater Minnesota Housing Fund. The loan bears no interest and is due on December 30, 2039 and is secured by the Foyer Partnership's real estate mortgage.	116,886
Note payable to the Federal Home Loan Bank of Des Moines under the Affordable Housing Program Agreement for Rental Project. The loan bears no interest and is no longer enforceable after fifteen years and is secured by the Foyer Partnership's real estate mortgage.	225,000
First mortgage payable to Northern State Bank of Virginia. The loan bears interest at 5.5%, is due on June 1, 2023 and is secured by the Quad Cities Food Shelf Building.	128,325
First mortgage payable to Northern State Bank of Virginia. The loan bears interest at 4.5%, is due on September 10, 2025 and is secured by the Aurora Food Shelf Building.	62,509
Promissory note payable to the Virginia Public Utilities. The loan bears no interest and is due 240 months after completion of the Conversion Project, due in monthly installments of \$2,411.66 commencing upon completion of the Conversion Project.	537,802
Mortgage payable to the Minnesota Housing Finance Agency (MHFA). The loan bears no interest and is due on November 29, 2046 and is secured by the Ivy Manor Partnership's real estate mortgage.	438,000
Note payable to the Greater Minnesota Housing Fund. The loan bears no interest and is due on November 29, 2046 and is secured by the Ivy Manor Partnership's real estate mortgage.	300,000
	<u>\$ 3,723,565</u>

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

2022	\$	259,437
2023		156,046
2024		31,228
2025		31,333
2026		82,491
Thereafter		<u>3,163,030</u>
		<u>\$ 3,723,565</u>

NOTE 10 - NET ASSETS

Net Assets Without Donor Restrictions

The net assets without donor restrictions are Board designated amounts to be used for future and currently active programs. Designated net assets amounted to \$12,064,542 at June 30, 2021. Of this amount, \$1,886,144 was for future programs, with \$10,178,398 designated for programs currently active in the Agency.

Net Assets With Donor Restrictions

At June 30, 2021, the Agency had no net assets with donor restrictions with a time restriction. Net assets with donor restrictions with purpose restrictions are included in the net assets of AEOA. The composition of net assets with donor restrictions is as follows:

	<u>2021</u>
Senior Services	\$ 5,507
Meals on Wheels	34,127
Senior Dining	45
ROCK	25
Head Start	235
Employment and Training	220
Transit	978
Housing	1,940
Energy Assistance	<u>495</u>
Total	<u>\$ 43,572</u>

NOTE 11 - CONSOLIDATIONS

The change in consolidated net assets is as follows:

	Without Donor Restrictions			With Donor Restrictions	Total
	Controlling Interest	Non-controlling Interest	Subtotal	Controlling Interest	
Balance, beginning of year	\$ 15,291,044	\$ 4,929,111	\$ 20,220,155	\$ 43,572	\$ 20,263,727
Revenues in excess (deficiency) of expenses	<u>(271,830)</u>	<u>(311,761)</u>	<u>(583,591)</u>	-	<u>(583,591)</u>
Balance, end of year	<u>\$ 15,019,214</u>	<u>\$ 4,617,350</u>	<u>\$ 19,636,564</u>	<u>\$ 43,572</u>	<u>\$ 19,680,136</u>

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 12 - PROGRAM SERVICES EXPENSES

Program services expenses for the year ended June 30, 2021 were as follows:

<u>Program</u>	<u>Expense</u>
Aitkin County Diversionary Work Program	\$ 2,871
Aitkin County Volunteer Driver	65,949
Arrowhead Weatherization	506,180
Bill's House	20,398
Blandin Adult Scholarship	141,984
Carlton County Diversionary Work Program	5,510
Carlton County Rural Rides	7,375
Carlton County Volunteer Driver	96,563
CDBG COVID Food Relief	15,000
CDBG Foyer	16,305
CDBG Shelter Operations	46,259
CDBG Single Family Rehab	238,469
Child Care and Adult Food Program	34,053
Chisago County Volunteer Driver	5,567
Commcar Auto Garage	4,934
Commissioners Reserve	11,991
Community Support	4,856
Cook County Volunteer Driver	618
COVID Food Response	127,433
COVID Homeless Assistance Program	363,353
COVID-19 DHS	14,410
Emergency CSBG CARES	3,643
Department of Revenue Tax Assistance	366
Development Fund	47,738
DHS Emergency Shelter Grant	82,475
DOE Weatherization	694,600
EAP	722,518
EAP/WX	687,679
EAP/WX Carryover	39,004
Elder Services Loan Closet	2,531
Emergency Shelter Grant Rehousing	31,456
Emergency Shelter Operations	20,318
ESG Rapid Rehousing	54,535
Essentia Agreements	448
Eveleth LTD Partnership	67,885
Faim West Central	213
Federal Adult Basic Education	73,785
Federal Head Start	3,310,929
Federal Home Loan Bank Homeownership	6,597
FHPAP Flex	159,874
FHPAP KOOTASCA	12,729

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 12 - PROGRAM SERVICES EXPENSES (CONTINUED)

<u>Program</u>	<u>Expense</u>
FHPAP St. Louis County	\$ 64,208
Fluoride Varnish	275
Food Shelf	428,593
Foyer Aides	35,052
Foyer LTD Partnership	195,209
Gilbert Garage Rehab	128,000
GMHF	5,000
Good Food Guidelines	12,821
Groceries to Go	34,030
Healthy Transition to Adulthood	161,342
Hearth Connection	120,240
Hennepin County Volunteer Driver	699
Hermantown Repair	10,195
HOME	167,170
Home Delivered Meals Waiver	560,478
Homeless Youth Act	84,786
Host Home Program	65,138
Household Water Well System	9,021
Housing Corp Fund	3,808
Housing Escrow Fund	8,928
Housing MOU KOOTASCA	103,922
Housing Navigator/Landlord Incentive	8,932
Housing Preservation	11,617
HUD Counseling	16,316
HUD Lake/Cook County	22,802
HUD Lake/Cook County Rental Assistance	6,456
HUD Life	18,709
HUD Permanent Supportive Housing	143,871
HUD Supportive Housing Program	37,166
HUD Supportive Housing Program Youth	79,315
Hunger Solutions	6,279
IRRR Business Energy Retrofit	1,229,931
IRRR DT Building Rehab	249,624
IRRR Rutabaga Match	1,245
Isanti County Volunteer Driver	10,365
Itasca Big Idea	9,965
Itasca County Volunteer Driver	89,492
Ivy Manor Limited Partnership	566,785
Koochiching County Diversionary Work Program	954
Koochiching County Volunteer Driver	112,483
Lake County HRA Emergency Funding	1,354

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 12 - PROGRAM SERVICES EXPENSES (CONTINUED)

<u>Program</u>	<u>Expense</u>
Lake County HRA Home Energy Improvement	\$ 41,088
Lake County Volunteer Driver	33,316
Live Well At Home	179,347
Local Farmers Feed the Range	73,189
Meals on Wheels	1,321,320
Minnesota Youthbuild	114,596
Miscellaneous County Volunteer Driver	168,866
MN Family Investment Prog. - Aitkin County	68,515
MN Family Investment Prog. - Carlton County	100,616
MN Family Investment Prog. - Cook County	11,092
MN Family Investment Prog. - Itasca County	138,354
MN Family Investment Prog. - Koochiching County	79,788
MN Family Investment Prog. - St. Louis County	859,625
MN Head Start	485,935
MN Housing Finance Agency Community Revitalize	26,951
MN Housing Finance Agency HECAT	38,186
MN Housing Finance Agency Rehab	359,822
MN Sure	199,476
MS Adult Basic Education	606,997
MURL Revolving	31,529
NE MN Sharing Fund	10,868
Northland HUB Collaborative	6,201
Partners in Caring	1,048
Pathway Scholarship I	53,950
Pathway Scholarship II	274,192
Pine County Volunteer Driver	164,782
Power of Produce	2,280
Propane Program	45,530
Range Transitional Housing St. Louis County Centralized Client Area	2,528
Retired and Senior Volunteer Prog. - Federal	219
Retired and Senior Volunteer Prog. - St. Louis County	927
Retired and Senior Volunteer Prog. - State	4,533
Rural Rides	113,087
Rutabaga Miscellaneous Projects	14,457
Rutabaga SHIP	22,662
Sandstone Garage	103,200
SCDP Hibbing Rehab	16,920
SCSEP State	61,361
SCSEP Legacy Career	48,640
SELF – Itasca County	2,218
SELF – Koochiching County	4,998

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 12 - PROGRAM SERVICES EXPENSES (CONTINUED)

<u>Program</u>	<u>Expense</u>
SELF – Little Sand	\$ 4,029
Senior Carnival	435
Senior Dining	4,531
Small Cities Silver Bay	122,070
Small Cities Two Harbors	2,405
SNAP	64,229
SNAP 50/50	20,776
SNAP Outreach	22,742
SP MN Foundation Emergency Shelter	19,794
St. Louis County Cost Neutral Scattered Site	139,473
St. Louis County Diversionary Work Program	1,162
St. Louis County Emergency Shelter	131,426
St. Louis County Housing Supportive Services	40,865
St. Louis County Volunteer Driver	644,879
State DHP WDF	119,038
State Displaced Homemaker	57,023
State Dislocated Worker Small Layoff	302,322
Sub Septic & Sewage Treatment System	191,919
Transit	7,613,226
Verso Dislocated Worker	24,363
Youth Support Services DEED	49,031
TOTAL PROGRAM SERVICES EXPENSES	<u>\$ 28,040,924</u>

NOTE 13 - ECONOMIC DEPENDENCY

A substantial amount of the Agency's support is in the form of annual grants with federal, state, and local governmental agencies. This support is partially dependent upon the Agency's continued qualifications for such funding, together with the amount of funds available to the governmental sources. Accordingly, there is no guarantee that such funding will continue. Reductions in this support could have a significant impact on the Agency's operations. However, AEOA was established in 1965 and has successfully completed 55 years of operation.

NOTE 14 - CONCENTRATION OF CREDIT RISK

Arrowhead Economic Opportunity Agency maintains cash balances at several area financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Agency has obtained collateral agreements with the financial institutions to safeguard portions of their cash balances in excess of insurance. At June 30, 2021, the Agency's cash balances were fully insured or collateralized.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency has \$13,440,837 of financial assets available within one year of June 30, 2021 to meet cash needs for general operating expenditures, consisting of cash of \$8,970,604, grants receivable of \$3,478,294, and other receivables of \$991,939.

NOTE 16 - RETIREMENT BENEFITS

The Agency participates in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers eligible employees of the Agency. Employees may elect to make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Agency's contribution to this plan is based on a percentage of the gross salaries of the qualifying employees, after they have worked the required number of hours in two consecutive years. For the year ended June 30, 2021, the Agency contributed \$574,722 to this plan.

The Agency also has a Code Section 457(b) deferred compensation plan for the Agency directors who may defer a percentage of their compensation to this plan. The Agency contributes a discretionary percentage of eligible participant compensation. Contributions are vested in an insurance company contract. The Agency has a liability that corresponds to the investment. Total employer contributions for the year ended June 30, 2021 were \$8,684.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Grants

The Agency participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Agency has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2021, may be impaired. In the opinion of the Agency, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

AEOA Eveleth Limited Partnership

The AEOA Eveleth Limited Partnership's sole asset is a housing project. The Partnership's operations are concentrated in the Eveleth, Minnesota multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment, subject to rules and regulations of federal, state, and local governmental agencies. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

The Annual Contribution Contract with the U.S. Department of Housing and Urban Development expires October 20, 2021. No assurance can be provided that this contract will be renewed upon expiration or if renewed, at what terms.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021**

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Partnership is subject to an extended use agreement between the Partnership and MHFA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the compliance period (for a total of 30 years). The extended use period ends on December 31, 2025 unless terminated earlier by foreclosure or by offering the Partnership to the housing credit agency, after the first 15 years, to be sold for a qualified contract price (the opt-out option). The Partnership has waived its right to opt-out after the initial 15 year compliance period. Therefore, the Partnership must maintain affordability for 30 years.

AEOA Foyer Limited Partnership

The AEOA Foyer Limited Partnership operates in a heavily regulated environment. The operations and financing of the Partnership are subject to rules and regulations of federal, state, and local governmental agencies. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

Ivy Manor Limited Partnership

The Ivy Manor Limited Partnership's operations are concentrated in the Virginia, Minnesota multifamily real estate market and provides affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture, the Partnership must remain in compliance with various regulations through December 31, 2032, the anticipated end of the tax credit compliance period. The Partnership is also subject to an extended use agreement with the MHFA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Partnership to maintain low income occupancy (income and rent limits) for as long as MHFA is the holder of the loan on the Partnership or any interest therein.

The Partnership operates in a heavily regulated environment, subject to rules and regulations of federal, state, and local governmental agencies. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, vendors, and grantors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Agency's financial condition or results of operations is uncertain.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events were evaluated through December 8, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ARROWHEAD ECONOMIC OPPORTUNITY AGENCY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
<i>Direct</i>		
Farmers Market and Local Food Promotion Program	10.175	\$ <u>70,597</u>
<i>Pass-through Program from: Minnesota Department of Education</i>		
Child and Adult Care Food Program - 2MN300061	10.558	3,877
Child and Adult Care Food Program - 2MN300061	10.558	<u>30,176</u>
Total AL# 10.558		<u>34,053</u>
<i>SNAP Cluster</i>		
<i>Pass-through Program from: Minnesota Department of Human Services</i>		
State Administrative Matching Grants for SNAP - GRK%163755	10.561	14,867
State Administrative Matching Grants for SNAP - GRK%163755	10.561	22,730
State Administrative Matching Grants for SNAP - 16259	10.561	8,552
State Administrative Matching Grants for SNAP - GRK%146626	10.561	107,108
<i>Pass-through Program from: St. Louis County, Minnesota</i>		
State Administrative Matching Grants for SNAP - 16837A	10.561	31,775
State Administrative Matching Grants for SNAP - 17026A	10.561	<u>44,034</u>
Total SNAP Cluster AL# 10.561		<u>229,066</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>333,716</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Pass-through Program from: Minnesota Homeownership Center</i>		
Housing Counseling Assistance Program	14.169	11,423
Housing Counseling Assistance Program	14.169	<u>7,045</u>
Total AL# 14.169		<u>18,468</u>
<i>CDBG/Entitlement Grants Cluster</i>		
<i>Pass-through Program from: St. Louis County, Minnesota</i>		
CDBG - Food Shelf	14.218	27,400
CDBG - Homeless Shelter	14.218	22,257
CDBG - Homeless Shelter	14.218	4,515
CDBG - Single Family Hsg Rehab	14.218	124,546
CDBG - Single Family Hsg Rehab	14.218	98,500
CDBG - Youth Services	14.218	18,476
CDBG - Youth Services	14.218	1,292
COVID-19 - CDBG - Food Shelf	14.218	9,954
COVID-19 - CDBG - Homeless Shelter	14.218	28,611
COVID-19 - CDBG - Local Food Relief	14.218	15,000
COVID-19 - CDBG - Single Family Hsg Rehab	14.218	<u>19,934</u>
Total CDBG/Entitlement Grants Cluster AL# 14.218		<u>370,485</u>

The accompanying notes are an integral part of this schedule.

ARROWHEAD ECONOMIC OPPORTUNITY AGENCY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)		
<i>Pass-through Program from: Lake County HRA</i>		
CDBG/State's program and Non-Entitlement Grants in Hawaii - SCDP Silver Bay	14.228	\$ 114,847
CDBG/State's program and Non-Entitlement Grants in Hawaii - SCDP Two Harbors	14.228	<u>2,304</u>
Total AL# 14.228		<u>117,151</u>
<i>Pass-through Program from: Minnesota Department of Human Services</i>		
Emergency Solutions Grant Program - GRK%160217	14.231	89,276
<i>Pass-through Program from: St. Louis County, Minnesota</i>		
Emergency Solutions Grant Program	14.231	3,723
Emergency Solutions Grant Program	14.231	30,719
Emergency Solutions Grant Program	14.231	5,120
Emergency Solutions Grant Program	14.231	58,881
COVID-19 - Emergency Solutions Grant Program	14.231	<u>112,451</u>
Total AL# 14.231		<u>300,170</u>
<i>Pass-through Program from: St. Louis County, Minnesota</i>		
Home Investment Partnership Program	14.239	133,510
Home Investment Partnership Program	14.239	<u>38,567</u>
Total AL# 14.239		<u>172,077</u>
Section 8 Project-Based Cluster		
<i>Pass-through Program from: Virginia MN HRA</i>		
Section 8 Housing Assistance Payments Program	14.195	<u>177,733</u>
<i>Pass-through Program from: Virginia MN HRA</i>		
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	<u>46,228</u>
Total Section 8 Project-Based Cluster		<u>223,961</u>

The accompanying notes are an integral part of this schedule.

ARROWHEAD ECONOMIC OPPORTUNITY AGENCY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)		
<i>Direct</i>		
Continuum of Care Program - MN0083L5K041912	14.267	\$ 19,551
Continuum of Care Program - MN0083L5K042013	14.267	4,351
Continuum of Care Program - MN0468L5K041900	14.267	6,937
Continuum of Care Program - MN0180L5K091808	14.267	11,445
Continuum of Care Program - MN0180L5K091909	14.267	69,799
Continuum of Care Program - MN0297L5K091805	14.267	25,147
Continuum of Care Program - MN0297L5K091906	14.267	121,935
Continuum of Care Program - MN0080L5K041912	14.267	18,684
Continuum of Care Program - MN0080L5K042013	14.267	750
Continuum of Care Program - MN0111L5K091811	14.267	15,815
Continuum of Care Program - MN0111L5K091912	14.267	21,299
Continuum of Care Program	14.267	<u>55,200</u>
Total AL# 14.267		<u>370,913</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>1,573,225</u>
U.S. DEPARTMENT OF LABOR		
<i>Pass-through Program from: Minnesota Department of Employment and Economic Development</i>		
Senior Community Service Employment Program - 1215100	17.235	72,189
Senior Community Service Employment Program - 9215101	17.235	<u>57,002</u>
Total AL# 17.235		<u>129,191</u>
TOTAL U.S. DEPARTMENT OF LABOR		<u>129,191</u>
U.S. DEPARTMENT OF TRANSPORTATION		
<i>Pass-through Program from: Minnesota Department of Transportation</i>		
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program - Arrowhead Transit	20.509	<u>2,770,431</u>
<i>Pass-through Program from: Minnesota Department of Transportation</i>		
Public Transportation Research, Technical Assistance, and Training - 1045837	20.514	<u>166</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>2,770,597</u>
U.S. DEPARTMENT OF TREASURY		
<i>Pass-through Program from: Arrowhead Regional Development Commission</i>		
COVID-19 - Coronavirus Relief Fund - 2020 COVID Nutrition Relief State Funding Grant	21.019	7,742
COVID-19 - Coronavirus Relief Fund - 2020 COVID Nutrition Relief State Funding Grant	21.019	125,000

The accompanying notes are an integral part of this schedule.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2021**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TREASURY (CONTINUED)		
<i>Pass-through Program from: St. Louis County, Minnesota</i> COVID-19 - Coronavirus Relief Fund - COVID-19 Housing Assistance Program	21.019	\$ 325,327
<i>Pass-through Program from: KOOTASCA Community Action, Inc.</i> COVID-19 - Coronavirus Relief Fund - COVID-19 Housing Assistance Program	21.019	<u>48,831</u>
Total AL# 21.019		<u>506,900</u>
TOTAL U.S. DEPARTMENT OF TREASURY		<u>506,900</u>
U.S. DEPARTMENT OF ENERGY		
<i>Pass-through Program from: Minnesota Department of Commerce</i> Weatherization Assistance for Low-Income Persons - WAP DOE A2500	81.042	<u>734,754</u>
TOTAL U.S. DEPARTMENT OF ENERGY		<u>734,754</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Pass-through Program from: Minnesota Department of Education</i> Adult Education - Basic Grants to States	84.002	<u>85,052</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>85,052</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Aging Cluster		
<i>Pass-through Program from: Arrowhead Regional Development Commission</i>		
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers and CARES Act for Supportive Services Under Title III-B of the Older Americans Act - 303-19-003B-XXX	93.044	1,382
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers and CARES Act for Supportive Services Under Title III-B of the Older Americans Act - 303-21-003B-524	93.044	12,625
COVID-19 - Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers and CARES Act for Supportive Services Under Title III-B of the Older Americans Act - 303-20-003B-524-CARES	93.044	<u>19,598</u>
Total AL# 93.044		<u>33,605</u>
<i>Pass-through Program from: Arrowhead Regional Development Commission</i>		
Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act - Meals on Wheels 303-20-00C2-AEO	93.045	26,889
Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act - Meals on Wheels 303-21-00C2-AEO	93.045	439,945

The accompanying notes are an integral part of this schedule.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2021**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)		
COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act - Meals on Wheels 303-20-00C2-AEO CARES	93.045	\$ 446,418
COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act - Meals on Wheels 303-20-00C2-AEO FFCRA	93.045	65,071
COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act - Meals on Wheels 303-21-003C2-AEO--CARES	93.045	<u>59,824</u>
Total AL# 93.045		<u>1,038,147</u>
<i>Pass-through Program from: Arrowhead Regional Development Commission</i>		
Nutrition Services Incentive Program - Meals on Wheels 303-20-00C2-AEO	93.053	97,503
Nutrition Services Incentive Program - Meals on Wheels 303-21-00C2-AEO	93.053	<u>88,490</u>
Total AL# 93.053		<u>185,993</u>
Total Aging Cluster		<u>1,257,745</u>
<i>Pass-through Program from: Northland Foundation</i>		
Every Student Succeeds Act/Preschool Development Grants	93.434	<u>9,136</u>
<i>Pass-through Program from: Minnesota Department of Commerce</i>		
Low-Income Home Energy Assistance - EAP/WX A2110	93.568	43,276
Low-Income Home Energy Assistance - EAP/WX A2111	93.568	734,764
Low-Income Home Energy Assistance	92.568	298,110
Low-Income Home Energy Assistance	93.568	645,806
COVID-19 - Low-Income Home Energy Assistance	93.568	<u>21,162</u>
Total AL# 93.568		<u>1,743,118</u>
<i>Pass-through Program from: Minnesota Department of Human Services</i>		
Community Services Block Grant	93.569	142,449
COVID-19 - Community Services Block Grant - 177847	93.569	<u>94,991</u>
Total AL# 93.569		<u>237,440</u>
Head Start Cluster		
<i>Direct</i>		
Head Start 05CH010857-02-00	93.600	2,990,369
Head Start 05CH010857-03-00	93.600	601,084
COVID-19 - Head Start 05CH010857-02-00	93.600	208,518
COVID-19 - Head Start 05CH010857-03-00	93.600	<u>3,222</u>
Total Head Start Cluster AL# 93.600		<u>3,803,193</u>

The accompanying notes are an integral part of this schedule.

ARROWHEAD ECONOMIC OPPORTUNITY AGENCY AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ <u>Program or Cluster Title</u>	Federal Assistance <u>Listing Number</u>	Federal <u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)		
<i>Pass-through Program from: Minnesota Department of Human Services</i>		
John H. Chafee Foster Care Program for Successful Transition to Adulthood - GRK%159606	93.674	\$ <u>175,733</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>7,226,365</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
<i>Direct</i>		
Retired and Senior Volunteer Program Federal 20SRNMN003	94.002	104,925
Retired and Senior Volunteer Program Federal 20SRNMN003	94.002	<u>33,024</u>
Total AL# 94.002		<u>137,949</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>137,949</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 13,497,749</u>

The accompanying notes are an integral part of this schedule.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Arrowhead Economic Opportunity Agency and subsidiaries under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Arrowhead Economic Opportunity Agency and subsidiaries, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Arrowhead Economic Opportunity Agency and subsidiaries.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - CLUSTERS

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

SNAP Cluster	\$ 229,066
CDBG – Entitlement Grants Cluster	370,485
Section 8 Project-Based Cluster	223,961
Aging Cluster	1,257,745
Head Start Cluster	<u>3,803,193</u>
	<u>\$ 5,884,450</u>

NOTE D - PASS-THROUGH ENTITIES

There were no pass-through entities.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Arrowhead Economic Opportunity Agency

We have audited the consolidated financial statements of Arrowhead Economic Opportunity Agency (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 8, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Ivy Manor Limited Partnership were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Ivy Manor Limited Partnership.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arrowhead Economic Opportunity Agency and subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arrowhead Economic Opportunity Agency and subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Arrowhead Economic Opportunity Agency and subsidiaries' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

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 Arrowhead Economic Opportunity Agency and subsidiaries' consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Walker, Miray & Helne, LLC

Virginia, Minnesota
December 8, 2021



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

To the Board of Directors of
Arrowhead Economic Opportunity Agency

Report on Compliance for Each Major Federal Program

We have audited Arrowhead Economic Opportunity Agency and subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arrowhead Economic Opportunity Agency and subsidiaries' major federal programs for the year ended June 30, 2021. Arrowhead Economic Opportunity Agency and subsidiaries major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Arrowhead Economic Opportunity Agency and subsidiaries' 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 Arrowhead Economic Opportunity Agency and subsidiaries' 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 Arrowhead Economic Opportunity Agency and subsidiaries' compliance.

Opinion on Each Major Federal Program

In our opinion, Arrowhead Economic Opportunity Agency and subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Arrowhead Economic Opportunity Agency and subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Arrowhead Economic Opportunity Agency and subsidiaries' 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 Arrowhead Economic Opportunity Agency and subsidiaries' internal control over compliance.

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

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

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

Walker, Miray & Helne, LLC

Virginia, Minnesota
December 8, 2021

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021**

None.

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021**

Section I - Summary Of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiency identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? _____ yes X no
- Significant deficiency identified? _____ yes X 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)? _____ yes X no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

**ARROWHEAD ECONOMIC OPPORTUNITY AGENCY
AND SUBSIDIARIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021**

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings And Questioned Costs

None noted.