

**NORTHEAST IOWA COMMUNITY ACTION CORPORATION**  
**FINANCIAL REPORT**  
**JANUARY 31, 2021**

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NORTHEAST IOWA COMMUNITY ACTION CORPORATION

BOARD OF DIRECTORS

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Executive Board of Directors

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Les Askelson      Chairman  
Julie Wurtzel     Vice Chairman  
Dan Byrnes        Secretary/Treasurer

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Board Members  
Representing

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County	Government	Low-Income	Private
Allamakee	Dan Byrnes	Marcia Hesse	Jenny Cole
Bremer	Tim Neil	Kelly Faga	Shannon Michael
Chickasaw	David Tilkes	Richard Holthaus	Nick Winter
Clayton	Steve Doeppke	Kari Harbaugh	Wendy Shea
Fayette	Martin Stanbrough	Linda Voshell	Ron Garceau
Howard	Joseph Pisney	Malissa Kappes	Janel Langreck
Winneshiek	John Beard	Les Askelson	Julie Wurtzel
Policy County Liaison - Head Start		Anna Wilkes	

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Corporation Officials

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Trisha Wilkins      Executive Director  
Chrishelle Stravers   Chief Finance Director

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

To the Board of Directors  
Northeast Iowa Community Action Corporation  
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Iowa Community Action Corporation (a nonprofit corporation), which comprise the statement of financial position as of January 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Iowa Community Action Corporation as of January 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2021, on our consideration of Northeast Iowa Community Action Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northeast Iowa Community Action Corporation'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 Northeast Iowa Community Action Corporation's internal control over financial reporting and compliance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
May 24, 2021

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
STATEMENT OF FINANCIAL POSITION  
January 31, 2021

ASSETS

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 3,770,718
Receivables:	
Funding source	1,472,943
Other	13,569
Notes receivable	80,021
Prepaid expenses	61,565
Inventory	<u>1,157,245</u>
Total current assets	<u>6,556,061</u>
PROPERTY AND EQUIPMENT, net	<u>5,107,919</u>
<b>OTHER ASSETS</b>	
Notes receivable	<u>639,384</u>
Total assets	<u><u>\$ 12,303,364</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>	
Accounts payable:	
General	\$ 434,574
Accrued payroll	112,348
Compensated absences	153,796
Current portion of long-term debt	30,530
Advances from grantors	<u>299,420</u>
Total current liabilities	<u>1,030,668</u>
<b>LONG-TERM DEBT</b>	
Notes payable, less current portion	<u>2,063,938</u>
<b>NET ASSETS</b>	
Without donor restrictions	<u>9,208,758</u>
Total liabilities and net assets	<u><u>\$ 12,303,364</u></u>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
STATEMENT OF ACTIVITIES  
Year Ended January 31, 2021

	Without Donor Restrictions
<b>REVENUES AND OTHER SUPPORT</b>	
Federal and state grants	\$ 10,656,583
Local	3,445,523
Interest	32,380
Contributions	76,833
Total revenues and other support	14,211,319
<b>EXPENSES</b>	
Program services	11,523,273
Supporting services: Management and general	683,759
Total expenses	12,207,032
Change in net assets from operations	2,004,287
<b>OTHER CHANGES IN NET ASSETS</b>	
Paycheck Protection Program	807,546
Change in net assets	2,811,833
NET ASSETS, beginning of year, restated	6,396,925
NET ASSETS, end of year	\$ 9,208,758

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended January 31, 2021

Functional Expenses	Program Services								Supporting Services		
	Outreach	Educational Related	Energy Related	Weatherization	Regional Transit System	Housing	Family Development and Self-Sufficiency	Payroll Protection Program	Total	Management and General	Total
Employee salaries	\$ 97,751	\$ 2,092,229	\$ 113,387	\$ 165,967	\$ 794,079	\$ 79,149	\$ 318,195	\$ 636,527	\$ 4,297,284	\$ 322,153	\$ 4,619,437
Employee fringe benefits	51,251	745,557	37,043	70,156	294,530	24,525	99,303	148,719	1,471,084	96,537	1,567,621
Contractual	11,872	15,944		194,875	22,167	14,026	1,638		260,522	15,902	276,424
Travel	766	15,994	81		4,549	2,525	5,987		29,902	1,055	30,957
Space costs	13,094	123,969	3,318	22,756	120,695	112,797	32,334	16,239	445,202	35,221	480,423
Consumable supplies	2,293	45,474	8,034	1,605	8,086	5,751	12,118		83,361	19,877	103,238
Equipment	7,395				318,580				325,975		325,975
Direct assistance			2,111,852			40,679	96,208		2,248,739		2,248,739
Depreciation	21,274	17,756			365,330	139,295			543,655		543,655
Food		449,422							449,422		449,422
Vehicle costs					188,984				188,984		188,984
Materials				73,852					73,852		73,852
Other	222,021	371,444	74,190	(132,757)	327,020	88,287	32,177	6,061	988,443	193,014	1,181,457
Contributed facilities		76,833							76,833		76,833
Use of equipment, contributed materials and services						40,015			40,015		40,015
<b>Total functional expenses</b>	<b>\$ 427,717</b>	<b>\$ 3,954,622</b>	<b>\$ 2,347,905</b>	<b>\$ 396,454</b>	<b>\$ 2,444,020</b>	<b>\$ 547,049</b>	<b>\$ 597,960</b>	<b>\$ 807,546</b>	<b>\$ 11,523,273</b>	<b>\$ 683,759</b>	<b>\$ 12,207,032</b>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
STATEMENT OF CASH FLOWS  
Year Ended January 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 2,004,287
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	543,655
(Increase) decrease in:	
Receivables:	
Funding source	(243,462)
Other	(30,395)
Prepaid insurance	61,565
Inventory	213,297
Increase (decrease) in:	
Payables	(19,044)
Accrued payroll	112,348
Compensated absences	8,180
Advances from grantors	(14,740)
	<u>2,635,691</u>
Net cash provided by operating activities	<u>2,635,691</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments received on notes receivables	80,992
Advances on notes receivable	(554,549)
Purchase of equipment and buildings	(178,235)
	<u>(651,792)</u>
Net cash used in investing activities	<u>(651,792)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on debt	(1,054,075)
Proceeds from loans borrowed	52,893
Payroll Protection Program loan, forgiven	807,546
	<u>(193,636)</u>
Net cash used in financing activities	<u>(193,636)</u>
Net increase in cash	1,790,263
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	<u>1,980,455</u>
End of year	<u>\$ 3,770,718</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Property purchased with loans:	
Cost	\$ 80,589
Loan proceeds	(115,267)
	<u>\$ (34,678)</u>
Cash payments for interest	<u>\$ 27,180</u>
Disposal of property and equipment:	
Property sold:	
Cost	\$ 71,693
Less accumulated depreciation	71,693
Book value	<u>\$ None</u>

See Notes to Financial Statements.

# NORTHEAST IOWA COMMUNITY ACTION CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

#### a. Background and Nature of Activities

Northeast Iowa Community Action Corporation (NEICAC) is a nonprofit corporation organized under the laws of the State of Iowa. The Corporation was created under the Economic Opportunity Act of 1964. The Community Services Act of 1974 continued the Community Action Program under the Community Services Administration. The Community Services Administration has been disbanded and since July 1982, the Corporation's administrative costs have been funded by allocation of indirect costs to programs specifically benefited. Primary funding sources consist of federal, state, and local agencies.

The Corporation operates programs in seven northeast Iowa counties and is governed by a twenty-two-member Board of Directors, including eight members representing low-income individuals, seven representing the public sector and seven representing private organizations.

The purpose of the Corporation is to stimulate a better focusing of all available resources upon the goal of enabling low-income families and individuals to gain the skills, knowledge and motivation needed for them to become self-sufficient.

The basic programs operated during the year by the Corporation include:

#### *Outreach Program*

Workers assisting low-income individuals in assessing their needs and assisting them in applying for available services.

#### *Educational Related Programs*

Operates a comprehensive early childhood development program for economically disadvantaged preschool children and their families.

#### *Energy Related Programs*

Works with low-income individuals to provide assistance with heating and cooling payments.

#### *Weatherization Programs*

Assists low-income individuals in weatherizing their homes and decreasing energy consumption.

#### *Regional Transit System Program*

Provides public transportation services in five northeast Iowa counties.

#### *Housing Programs*

Provides affordable housing to low-income individuals, including seniors.

#### *Family Development and Self-Sufficiency*

Provides training and assistance for parents receiving aid to dependent children to enable them to be self-sufficient.

The Corporation's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) for nonprofit corporations.

1. Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the funds and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The revenue recognized by the Corporation are classified as contributions according to FASB Accounting Standards Update (ASU) 2018-08. The Corporation does not provide any services for the revenue generated.

Purchases of property and equipment providing future benefits are recorded as expenses in the program at the time of purchase and capitalized in the appropriate fund.

c. Financial Statement Presentation

The accounts of Northeast Iowa Community Action Corporation are organized on the basis of grants received and are maintained in separate funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues, and expenses.

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As required by this statement, the Corporation has prepared its external financial statements to present the two classes of net assets required.

*Net assets without donor restrictions* - net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Corporation's governing board may designate portions of its net assets without donor restrictions as board-designated for various purposes.

*Net assets with donor restrictions* - net assets that are subject to donor restrictions. Some donor-imposed restrictions are temporary in nature such as those that will be met by the passage of time or by actions of the Corporation. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. The Corporation currently has no net assets with donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, 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 statement of activities as net assets released from restrictions.

However, in reality a substantial portion of these assets are not available for general organization purposes. Included in net assets without donor restrictions are significant resources subject to contractual agreements with external parties. In addition, a significant portion of these net assets as of January 31, 2021, is invested in the Corporation's property and equipment and inventory. While FASB requires that all these resources be reported as net assets without donor restrictions, the Corporation manages them in compliance with Board designations, legal requirements, and contractual obligations. Board designated net assets for fixed assets and inventory totaled \$3,398,866 and \$350,660 respectively, at January 31, 2021.

1. Summary of Significant Accounting Policies (Continued)

c. Financial Statement Presentation (Continued)

Federal and state grants are recorded as revenue when earned. The financial statements present any funds received and not expended as advances from grantors. Expenses are recorded when the liability is incurred. Disbursements for the purchase of fixed assets providing future benefits whose title remains with the funding source are recorded as expenses in the program at the time of purchase.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, 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 statement of activities as net assets released from restrictions.

Directly identifiable expenses are charged to programs and supporting services on the statement of functional expenses. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

d. Cash and Cash Equivalents

The Corporation uses one checking account for most program funds. Interest earned by this account is allocated to the various programs based upon the average balances quarterly. The Corporation includes certificates of deposit with cash equivalents since there is no penalty for early withdrawal. The Corporation maintains a separate bank account for Waukon-USDA program to set money aside to cover the repairs.

e. Notes Receivable

The Corporation enters into second mortgage agreements with individuals who purchase homes which is forgiven over seventeen years. The Corporation also has entered into agreements with individuals to purchase vehicles. These notes receivables are amortized over four years.

f. Interfund Receivables/Payables

During the course of its operations, the Corporation has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of January 31, 2021, balances of interfund amounts receivable or payable have been recorded. For external reporting, interfund receivables and payables have been eliminated in the statement of financial position.

g. Inventory

Inventory is valued at cost. Inventory includes homes built in Fayette, Oelwein, McGregor, Postville, Tripoli, and Elkader, Iowa areas, which were built with some of the loan proceeds from the Iowa Finance Authority.

1. Summary of Significant Accounting Policies (Continued)

h. Fixed Assets

Property and equipment purchased with grant funds are owned by NEICAC while used in the program 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. Its dispositions, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. As of January 31, 2021, the cost of these fixed assets total \$4,323,561.

Equipment purchased with local funds is stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets, which range from 3-40 years.

Depreciation expense totaled \$543,655 for the year ended January 31, 2021 and accumulated depreciation totaled \$5,382,897.

Expenditures for maintenance repairs and minor replacements are charged to the current year, while major replacements and betterments costing over \$5,000 per item are capitalized. The cost of assets disposed of is deleted.

Long-lived assets, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying value of the asset exceeds its fair value. The Corporation has not encountered any events in which impairment of fixed assets has occurred.

i. Revenue Recognition and Recognition of Bad Debts

Most of the Corporation's revenues come from grants received from federal, state, and local governments. The Corporation does receive amounts from individuals and private organizations. Revenue is recognized when services are received by the individual clients.

Receivables are stated at the amount management expects to collect from outstanding balances. Receivables are considered delinquent based on how recently payments have been received. Balances still outstanding after management has used reasonable collection efforts are written off based on individual credit evaluation and specific circumstances of the client.

j. Income Taxes

Northeast Iowa Community Action Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for fiscal 2021.

k. Functional Allocation of Expenses

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

l. Annual/Vacation Leave

The Corporation's employees accumulate sick leave and annual leave for subsequent use. The accumulation of annual/vacation leave is recognized when earned; however, the accumulation of sick leave is not funded and is not recognized as an expense by the Corporation until used. Accumulated sick leave is not paid out at separation from the Corporation.

m. Annual Budget

Northeast Iowa Community Action Corporation does not prepare an agency wide annual budget. The Corporation does prepare individual program budgets that contemplate revenues and expenses over the life of each program.

1. Summary of Significant Accounting Policies (Continued)

n. Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist principally of accounts receivables and cash. Receivables are primarily from the U.S. government, the State of Iowa and local governments in Iowa. These receivables are uncollateralized.

The Corporation's cash balances at one financial institution fluctuates during the year and at various times exceed the Federal Deposit Insurance Corporation \$250,000 insurance limit. The Corporation's funds are considered public funds under state law and are thus secured by pledged investments of a multiple financial institution collateral pool.

o. Management Estimates

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

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor, board or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of January 31, 2021:

Cash and cash equivalents	\$	3,770,717
Accounts receivables:		
Funding source		1,472,943
Other		13,569
Notes receivable		80,021
Total	\$	5,407,198

As part of the liquidity policy, cash in excess of daily requirements is invested in savings and money market funds. Financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due.

3. Deposits

At year-end, the carrying amount of the Corporation's deposits was \$3,770,617 and the bank balances totaled \$3,989,144. Of the bank balances, \$250,000 was covered by federal depository insurance. The balance was covered by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against members of the pool to ensure there will be no loss of public funds.

4. Contributed Services

Contributed services, which require special skills that would be purchased, if not donated, or create or enhance a nonfinancial asset are recognized in the statement of activities. The Corporation did not receive any services that meet this requirement. Other donated services are from parents and others, which do not meet the requirements to be recognized in the financial statements.

5. Contributed Facilities

The Corporation occupies without charge certain premises located in government owned buildings. The estimated fair rental value of the premises is reported as contributions and contributed facilities in the accompanying financial statements. The amount of contributed facilities for the year ended January 31, 2021 is \$76,833.

NOTES TO FINANCIAL STATEMENTS

6. Support from Governmental Units

The Corporation receives substantially all of its support from federal, state, and local governments. The federal government is the source for 69.4% of the Corporation's revenue and support. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the Corporation's programs and activities.

7. Indirect Costs

Indirect costs are certain administrative expenditures incurred for a common or joint purpose benefiting more than one program and not readily assignable to the programs specifically benefited. During fiscal 2021, the Corporation's indirect costs were allocated in accordance with its plan as submitted to its cognizant agency, the U.S. Department of Health and Human Services.

The indirect cost plan and rate was reviewed and approved by its cognizant agency for the year ended January 31, 2021. The indirect cost plan and rate was determined based on salary and benefits. The Corporation's approved rate for the year ended January 31, 2021 was 13.30%. For fiscal year 2020, the indirect cost plan and actual rate was 13.30%.

8. Property and Equipment

A summary of property and equipment, categorized by acquiring program/source, is as follows:

Acquiring Program/Source	Land	Buildings	Vehicles/ Equipment	Total
Contributions	\$ None	\$ 110,447	\$ 157,365	\$ 267,812
Waukon USDA	None	455,194	None	455,194
Head Start Local	None	43,828	21,591	65,419
Local	28,000	317,979	382,378	728,357
Transit	None	None	3,611,973	3,611,973
Single Family Rental	None	524,840	None	524,840
Postville Four Plex	15,300	518,446	None	533,746
Housing Properties:				
Ridgewood Duplex	None	131,024	11,890	142,914
Washington Court	110,451	820,513	41,525	972,489
Oelwein Duplex Rental	None	297,896	None	297,896
Calmar Apartments:				
Phase I	9,975	483,847	78,247	572,069
Phase II	9,975	512,292	17,353	539,620
Decorah Woolen Mill	27,654	1,716,542	34,291	1,778,487
	201,355	5,932,848	4,356,613	10,490,816
Less accumulated depreciation	None	2,454,639	2,928,258	5,382,897
Total	\$ 201,355	\$ 3,478,209	\$ 1,428,355	\$ 5,107,919

The components of the Corporation's accumulated depreciation at January 31, 2021 are as follows:

	Buildings	Vehicles	Equipment	Total
Balance, beginning of year	\$ 2,290,992	\$ 2,148,747	\$ 471,196	\$ 4,910,935
Current year depreciation	163,647	370,759	9,249	543,655
Current year disposals	None	(55,444)	(16,249)	(71,693)
Balance, end of year	\$ 2,454,639	\$ 2,464,062	\$ 464,196	\$ 5,382,897

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt

Details of long-term debt as of January 31, 2021 are as follows:

	Balance Due	
	Total	Current
<b>Calmar Apartments</b>		
Decorah Bank & Trust Company, Decorah		
4.05% interest bearing note payable, due \$1,836 per month including interest through November 2027, collateralized by real estate with a carrying value of \$443,233.	\$ 131,114	\$ 17,051
<b>Waukon USDA</b>		
U.S. Department of Agriculture		
4.75% interest bearing note payable, due \$1,615 monthly including interest through November 2042, collateralized by real estate with a carrying value of \$225,700.	230,291	8,597
<b>HOME Investment Partnerships Program</b>		
<b>Rent to Own</b>		
Iowa Finance Authority		
0.0% interest bearing note payable, due \$1,230 annually through July 1, 2045 with a balloon payment due July 1, 2045 collateralized by real estate. This note is transferred with the related real estate as the homes are sold.	274,465	1,230
0.0% interest bearing note payable, with a balloon payment due February 1, 2038 collateralized by real estate. This note is transferred with the related real estate as the homes are sold.	365,800	None
<b>Single Family Rental</b>		
0.0% interest bearing note payable, forgivable in 2031. The real estate has a carrying value of \$424,653.	523,829	None
<b>Postville Four Plex</b>		
0.0% interest bearing note payable with a balloon payment due February 1, 2039 collateralized by real estate with a carrying value of \$517,202.	529,100	None
<b>Ridgewood Duplex Building</b>		
Winneshiek County Habitat for Humanity		
0.0% interest bearing note payable, due \$304 monthly through September 2032, collateralized by real estate with a carrying value of \$87,774.	39,869	3,652
<b>Total long-term debt</b>	\$ 2,094,468	\$ 30,530

NOTES TO FINANCIAL STATEMENTS

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9. **Long-term Debt (Continued)**

Maturities of long-term debt during the years following January 31, 2021 are as follows:

<u>Long-term debt maturities</u>	<u>Amount</u>
2022	\$ 30,530
2023	31,652
2024	32,822
2025	34,043
2026	35,319
2027-2031	645,678
2032-2036	979,072
2037-2041	55,486
2042-2046	4,920
2047-2049	244,946
<b>Total</b>	<b>\$ 2,094,468</b>

Interest expense totaled \$27,180 for the year ended January 31, 2021. No interest cost was capitalized for the year ended January 31, 2021.

10. **Pension and Retirement Benefits**

The Corporation contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 6.29% from February 1, 2020 through January 31, 2021, of their annual covered salary and the Corporation is required to contribute 9.44% from February 1, 2020 through January 31, 2021, of annual covered payroll. Contribution requirements are established by state statute. The Corporation's contribution to IPERS for the years ended January 31, 2021, 2020, and 2019 were \$480,280, \$444,963, and \$429,162 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

11. Advances from Grantors

Advances from grantors consist of the following as of January 31, 2021:

U.S. Department of Health and Human Services	
Combined Wrap-Around	\$ 106,972
State Department of Human Rights:	
Low-income Home Energy Assistance	125,164
Low-income Home Energy Assistance - CARES	6,903
HEAP Weatherization Assistance for Low-income Persons	21,000
Community Service Block Grant	1,247
Community Service Block Grant - CARES	9,783
	164,097
U.S. Department of Agriculture:	
USDA	144
Family Day Care	8,763
	8,907
State Department of Education:	
Child Development	16,390
Emergency Shelter	3,054
	19,444
Total advances from grantors	\$ 299,420

12. Leases

The Corporation leases office space from the following under the terms as described below:

- Winneshiek County for \$6,470 per month from July 1, 2019 through January 31, 2021. The Corporation is required to provide insurance and upkeep on the building.
- Central Community School District for \$200 per month. The lease expires on June 30, 2021.
- Cresco Fitness Center for \$300 annually. The lease expires June 30, 2022.
- Postville Community School District for \$200 per month. The lease expires June 30, 2024.
- Office space for \$500 per month for Outreach on a month-to-month basis.
- Upper Explorerland Regional Planning Commission for \$30 per month through June 30, 2020 and \$100 per month July 1, 2020 through January 31, 2021. The lease expires on June 30, 2021.

The Head Start Program leases classroom space under various agreements as follows:

Center	Period of Lease	Monthly Rent
Postville CD	February 1, 2020 to July 1, 2020	\$ 700
Postville HS	February 1, 2020 to July 1, 2020	700
Postville CD	September 1, 2020 to July 1, 2021	700
Postville HS	September 1, 2020 to July 1, 2021	700

NOTES TO FINANCIAL STATEMENTS

12. Leases (Continued)

Head Start Program has space donated for several classrooms, but the Corporation must pay a monthly amount to cover utilities. Each center must provide equipment required to operate and provide insurance for the equipment and employees. The following is a summary of the Head Start and Child Development leases:

Center	Period of Lease	Monthly Utility Payment
Guttenberg HS	July 1, 2020 to June 30, 2021	\$ 300
New Hampton CD	June 1, 2020 to August 17, 2021	300
Decorah CSD	July 1, 2020 to June 30, 2021	425
Oelwein CSD	August 20, 2020 to August 19, 2021	1,500
North Fayette CSD	August 1, 2020 to July 31, 2021	400
Monona HS	August 1, 2020 to July 31, 2021	750

The future minimum lease payments required under the operating leases that have initial or remaining non-cancelable lease terms are as follows:

Year Ending January 31,	Amount
2022	\$ 8,800
2023	125
Total	\$ 8,925

13. Contingent Liabilities

The Corporation participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the Corporation may be required to reimburse the grantor government. As of January 31, 2021, significant amounts of grant expenditures have not been audited by granting authorities, but the Corporation believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Corporation.

The Corporation built a duplex for handicapped individuals in Winneshiek County with Winneshiek County Habitat for Humanity. Winneshiek County Habitat for Humanity loaned the Corporation \$39,720 to help build this duplex, in which 10% would be forgiven on an annual basis. The Corporation must own the building for 20 years. See Note 9.

The Corporation built homes in the in Fayette, Oelwein, McGregor, Postville, Tripoli, and Elkader, Iowa areas for low-income families to eventually own. Some of the funds were provided by a loan from the Iowa Finance Authority of \$640,265. The completed homes are reported as inventory on the Corporation's financial statements until the homes are sold. Once the family purchases the home, the loan is forgiven over the next fifteen years. As of January 31, 2021, the balance of the loans to be forgiven is \$703,902 and reported as note receivable. If the family sells the home, then the family is responsible for repaying the outstanding loan. The loans are reported as liabilities on the Corporation's financial statements until an eligible family purchases the home.

14. Risk Management

Northeast Iowa Community Action Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Corporation assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

15. Cafeteria Plan

The Corporation sponsors a Section 125 cafeteria plan. The benefits available under the plan are health insurance. Participants may elect salary reduction to cover family health insurance, disability insurance, non-covered medical and dental expenses, and day care. There were 28 participants in the plan for the plan year ended January 31, 2021.

16. Fund Balance Deficit

As of January 31, 2021, Postville Four Plex has a deficit fund balance. The deficit in the Postville Four Plex is because the project was being completed and had additional expenses along with depreciation as of January 31, 2021, therefore additional funding will be received.

17. COVID-19

The recent outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 16, 2020, Iowa Governor Kim Reynolds ordered the closure of the physical location of every "non-essential" business for what may be an extended period of time. We had to close our physical locations and all employees must work remotely as they can, and we have ceased running transit routes temporarily. Other impacts may include continued disruptions or restrictions on our employees' ability to work and impairment of our ability to obtain contributions and volunteers.

The Corporation applied for and was approved a \$1,236,485 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1.0%, but payments are not required to begin for six months after the funding of the loan. The Corporation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the federal government. The Corporation paid back \$435,000 on May 6, 2020 during the grace period. The remaining balance has been forgiven.

18. Subsequent Events

Subsequent events were evaluated through May 24, 2021, which is the date the financial statements were available to be issued.

19. Restatement

The beginning net assets were restated to include the cost of property and equipment, net accumulated depreciation purchased with federal money in various federal grants.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended January 31, 2021

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**Part I: Summary of the Independent Auditor's Results:**

- (a) The auditor's report expresses an unmodified opinion on whether the financial statements of Northeast Iowa Community Action Corporation were prepared in accordance with U.S. generally accepted accounting principles.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Northeast Iowa Community Action Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) No significant deficiencies in internal control over the major federal award programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Northeast Iowa Community Action Corporation expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
- CFDA Number 93.600 Head Start
  - CFDA Number 10.558 Child and Adult Care Food Program
  - CFDA Number 14.239 Home Investment Partnerships (HOME)
- (h) The threshold for distinguishing Types A and B programs was \$750,000.
- (i) Northeast Iowa Community Action Corporation was determined to be a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

Instances of noncompliance:  
No matters were noted.

Significant deficiencies:  
No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Instances of noncompliance:  
No matters were noted.

Significant deficiencies:  
No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

See management letter dated May 24, 2021.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended January 31, 2021

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Program Expenditures
U.S. Department of Health and Human Services:				
Direct:				
Head Start	93.600	#07CH011393-01-00	02/01/20-01/31/21	\$ 2,036,337
Head Start Discretionary		#07CH011393-01-00	02/01/20-01/31/21	812,950
		#07CH11393-CARES	02/01/20-01/31/21	120,872
		#07CH11393-CARES	02/01/20-01/31/21	17,366
				<u>2,987,525</u>
Other Federal Awards:				
U.S. Department of Health and Human Services:				
Passed through Iowa Department of Human Rights:				
Low-income Home Energy Assistance	93.568	LIHEAP-19-09	10/01/19-09/30/20	1,217,400
		LIHEAP-20-09	10/01/20-09/30/21	929,461
		LIHEAP-20CA-09	03/27/20-09/30/21	140,303
		HEAP 20-09	01/01/20-12/31/20	134,008
		HEAP 21-09	01/01/21-12/31/21	11,691
				<u>2,432,863</u>
Passed through Iowa Department of Human Rights:				
477 Cluster:				
Community Services Block Grant	93.569	CSBG-20-09	10/01/19-12/31/20	187,257
		CSBG-21-09	10/01/20-12/31/21	37,931
		CSBG-20S-09	01/20/20-09/30/22	163,472
				<u>388,660</u>
Passed through Iowa Department of Health and Human Services:				
Temporary Assistance for Needy Families	93.558	ACFS 20-2049	07/01/19-06/30/20	27,926
		ACFS 20-2049	07/01/20-06/30/21	31,874
		FaDSS-19-09	07/01/19-06/30/20	62,601
		FaDSS-20-09	07/01/20-06/30/21	77,401
				<u>199,802</u>
				<u>588,462</u>
Child Care and Development Block Grant	93.575	ACFS 15-111-5	09/01/19-08/31/20	293,577
		ACFS 21-014-01	09/01/20-06/30/21	187,028
				<u>480,605</u>
				<u>3,501,930</u>
U.S. Department of Transportation:				
Passed through Iowa Department of Transportation:				
Federal Transit Administration:				
Formula Grants for Rural Areas	20.509	Section 5311	07/01/19-06/30/20	340,384
			07/01/20-06/30/22	300,000
		Section 5311 CARES	01/20/20-06/30/23	1,371,276
			08/13/20-06/30/23	3,280
				<u>2,014,940</u>
Federal Transit Capital Investment Grants	20.526	IA-2019-007-00	03/27/19-03/26/21	238,935
		IA-2019-003-00	03/01/19-02/28/21	79,645
		IA-2019-008-01	05/26/20-05/25/22	128,816
				<u>447,396</u>
				<u>2,462,336</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 26.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended January 31, 2021

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Program Expenditures
<b>Other Federal Awards (Continued):</b>				
<b>U.S. Department of Energy:</b>				
Passed through Iowa Department of Human Rights:				
Weatherization Assistance for Low-income Persons	81.042	DOE 19-09	04/01/19-03/31/20	\$ 311,840
		DOE 20-09	04/01/20-03/31/21	9,477
				<u>321,317</u>
<b>U.S. Department of Homeland Security:</b>				
Passed through Emergency Food and Shelter Program				
Emergency Food and Shelter National Board Program	97.024	CARES-2864-00 003	01/27/20-05/31/21	2,385
		CARES-2884-00 006	01/27/20-05/31/21	65
				<u>2,450</u>
<b>U.S. Department of Agriculture:</b>				
Passed through Iowa Department of Education:				
Child and Adult Care Food Program	10.558	96-8010	10/01/18-09/30/20	72,162
			10/01/20-09/30/21	54,984
			05/01/20-07/31/20	1,006
		96-8013	10/01/18-09/30/20	273,392
			10/01/20-09/30/21	126,976
Subtotal U.S. Department of Agriculture				<u>528,520</u>
<b>U.S. Department of Housing and Urban Development:</b>				
Passed through Iowa Finance Authority:				
Home Investment Partnerships Program (HOME)	14.239	97-HM-204-731	07/01/97-03/01/19	383,779
		01-HM-219-21	08/10/01-08/10/23	330,000
		18MAY-HM-325	01/01/19-02/01/38	312,907
		14-HM-362	01/01/15-07/01/45	385,080
		14JUL-HM-924	01/01/15-12/01/31	524,840
		18MAY-HM-326	02/01/20-02/01/39	413,833
		16-HM-1122	01/01/15-12/01/31	198,500
				<u>2,548,939</u>
Passed through Iowa Community Action Agency				
Home Investment Partnerships Program (HOME)	14.239	19-1-HM-565	06/01/19-06/30/21	43,225
Passed through Iowa Economic Development Authority				
Passed through Howard and Winneshiek Counties				
Community Development Block Grants/Entitlement Grants	14.218	20-OT-025	05/04/20-07/03/20	30,000
		20-OT-020	05/04/20-07/03/20	5,521
				<u>35,521</u>
Subtotal U.S. Department of Housing and Urban Development				<u>2,627,685</u>
Subtotal Other Federal Awards				<u>9,444,238</u>
Total Federal Awards				<u>\$ 12,431,763</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 26.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended January 31, 2021

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**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Northeast Iowa Community Action Corporation under programs of the federal government for the year ended January 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Northeast Iowa Community Action Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northeast Iowa Community Action Corporation.

**Summary of Significant Accounting Policies:**

- (1) 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 and/or OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass through entity identifying numbers are presented where available.
- (3) Northeast Iowa Community Action Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Subrecipients:**

There were no awards passed through to subrecipients.

**Loan Outstanding:**

Northeast Iowa Community Action Corporation had the following loan balance outstanding at January 31, 2021:

Program Title	Federal CFDA #	Amount Outstanding
Home Investment Partnerships Program (HOME)	14.239	\$ 274,465
		529,100
		523,829
		365,800
		\$ 1,693,194

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 26.

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  
Northeast Iowa Community Action Corporation  
Decorah, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards 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 Northeast Iowa Community Action Corporation (a nonprofit corporation), which comprise the statement of financial position as of January 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Iowa Community Action Corporation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Iowa Community Action Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Iowa Community Action Corporation'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 Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
May 24, 2021

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

To the Board of Directors  
Northeast Iowa Community Action Corporation  
Decorah, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Northeast Iowa Community Action Corporation's (a nonprofit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Iowa Community Action Corporation's major federal programs for the year ended January 31, 2021. Northeast Iowa Community Action Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Northeast Iowa Community Action Corporation'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 U.S. generally accepted auditing standards; 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* (CFR) 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 Northeast Iowa Community Action Corporation'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 Northeast Iowa Community Action Corporation's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Northeast Iowa Community Action Corporation 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 January 31, 2021.

### Report on Internal Control Over Compliance

Management of Northeast Iowa Community Action Corporation 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 Northeast Iowa Community Action Corporation'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 Northeast Iowa Community Action Corporation'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Northeast Iowa Community Action Corporation as of and for the year ended January 31, 2021, and have issued our report thereon dated May 24, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
May 24, 2021

## MANAGEMENT LETTER

To the Board of Directors  
Northeast Iowa Community Action Corporation  
Decorah, Iowa

In planning and performing our audit of the financial statements of Northeast Iowa Community Action Corporation for the year ended January 31, 2021, we considered the Corporation's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

As part of our audit, we are required to comment on the Corporation's compliance with certain aspects of state laws and rulings as specified by the Iowa Auditor of State. The following summarizes our comments and suggestions regarding that matter. A separate report dated May 24, 2021, contains our report on the Corporation's internal control. This letter does not affect our report dated May 24, 2021, on the financial statements of Northeast Iowa Community Action Corporation.

1. Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.

2. Deposit and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Corporation's investment policy.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Northeast Iowa Community Action Corporation during the course of our audit. If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
May 24, 2021