

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
FINANCIAL REPORT
JANUARY 31, 2022

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NORTHEAST IOWA COMMUNITY ACTION CORPORATION

BOARD OF DIRECTORS

Executive Board of Directors

Les Askelson Chairman
Janel Langreck Vice Chairman
Dan Byrnes Secretary/Treasurer

Board Members
Representing

County	Government	Low-Income	Private
Allamakee	Dan Byrnes	Marcia Hesse	Jenny Cole
Bremer	Tim Neil	Melissa Minnaert-Nation	Shannon Michael
Chickasaw	Richard Holthaus	Suellen Kolbet	Nick Winter
Clayton	Steve Doeppke	Sara Noack	Wendy Shea
Fayette	Martin Stanbrough	Linda Voshell	Nina Brickman
Howard	Joseph Pisney	Malissa Kappes	Janel Langreck
Winneshiek	John Beard	Les Askelson	Julie Wurtzel
Policy County Liaison - Head Start		Anna Wilkes	

Corporation Officials

Trisha Wilkins Executive Director
Chrishelle Stravers Chief Finance Director



Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northeast Iowa Community Action Corporation as of January 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast Iowa Community Action Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Iowa Community Action Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northeast Iowa Community Action Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Iowa Community Action Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, 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
June 8, 2022

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
STATEMENT OF FINANCIAL POSITION
January 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	5,532,685
Receivables:		
Funding source		1,998,190
Other		50,944
Notes receivable		65,582
Prepaid expenses		56,328
Inventory		1,057,963
		8,761,692
Total current assets		8,761,692

PROPERTY AND EQUIPMENT, net

4,477,067

OTHER ASSETS

Notes receivable		590,212
		590,212

Total assets

\$ 13,828,971

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable: general	\$	414,937
Accrued payroll		141,902
Compensated absences		138,661
Current portion of long-term debt		31,652
Advances from grantors		1,313,805
		2,040,957

Total current liabilities

2,040,957

LONG-TERM DEBT

Notes payable, less current portion		2,171,969
		2,171,969

NET ASSETS

Without donor restrictions		9,616,045
		9,616,045

Total liabilities and net assets

\$ 13,828,971

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
STATEMENT OF ACTIVITIES
Year Ended January 31, 2022

	Without Donor Restrictions
REVENUES AND OTHER SUPPORT	
Federal and state grants	\$ 11,347,700
Local	2,454,819
Interest	12,231
Contributions	52,695
Total revenues and other support	13,867,445
EXPENSES	
Program services	12,656,066
Supporting services:	
Management and general	803,903
Fundraising	189
Total expenses	13,460,158
Change in net assets	407,287
NET ASSETS, beginning of year	9,208,758
NET ASSETS, end of year	\$ 9,616,045

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended January 31, 2022

Functional Expenses	Program Services							Supporting Services			
	Outreach	Educational Related	Energy Related	Weatherization	Regional Transit System	Housing	Family Development and Self-Sufficiency	Total	Management and General	Fundraising	Total
Employee salaries	\$ 155,802	\$ 2,427,949	\$ 145,586	\$ 291,785	\$ 1,118,360	\$ 70,245	\$ 328,846	\$ 4,538,573	\$ 407,560	\$ 79	\$ 4,946,212
Employee fringe benefits	13,200	830,731	44,779	113,358	356,695	22,495	99,816	1,481,074	109,263	20	1,590,357
Contractual	12,161	23,451		523,234	36,284	30,009	13,515	638,654	17,357		656,011
Travel	3,087	27,541	418		7,067	230	8,576	46,919	4,647		51,566
Space costs	10,812	136,624	3,967	16,615	125,485	118,626	37,961	450,090	50,116		500,206
Consumable supplies	6,861	74,846	17,092	5,388	8,527	2,973	20,295	135,982	18,138		154,120
Equipment		3,905			135,150			139,055	2,116		141,171
Direct assistance	48,968		2,372,714			46,935	35,646	2,504,263			2,504,263
Depreciation	57,955	17,386			429,743	346,812		851,896			851,896
Food		569,484						569,484			569,484
Vehicle costs					272,180			272,180			272,180
Materials				139,518				139,518			139,518
Other	227,805	413,929	152,094	(95,937)	(11,408)	32,879	22,442	741,804	194,706	90	936,600
Contributed facilities		52,695						52,695			52,695
Use of equipment, contributed materials and services						93,879		93,879			93,879
Total functional expenses	\$ 536,651	\$ 4,578,541	\$ 2,736,650	\$ 993,961	\$ 2,478,083	\$ 765,083	\$ 567,097	\$ 12,656,066	\$ 803,903	\$ 189	\$ 13,460,158

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
STATEMENT OF CASH FLOWS
Year Ended January 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 407,287
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	851,896
(Increase) decrease in:	
Receivables:	
Funding source	(525,247)
Other	(37,375)
Prepaid insurance	5,237
Inventory	99,282
Increase (decrease) in:	
Payables	(19,637)
Accrued payroll	29,554
Compensated absences	(15,135)
Advances from grantors	1,014,385
	<u>1,810,247</u>
Net cash provided by operating activities	<u>1,810,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments received on notes receivables	133,610
Advances on notes receivable	(70,000)
Purchase of equipment and buildings	(221,044)
	<u>(157,434)</u>
Net cash used in investing activities	<u>(157,434)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on debt	(34,486)
Proceeds from loans borrowed	143,640
	<u>109,154</u>
Net cash provided by financing activities	<u>109,154</u>
Net increase in cash	1,761,967
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>3,770,718</u>
End of year	<u>\$ 5,532,685</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash payments for interest	<u>\$ 15,802</u>
Disposal of property and equipment:	
Property sold:	
Cost	\$ 243,581
Less accumulated depreciation	<u>243,581</u>
Book value	<u>\$ None</u>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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.

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.

- 1) Net assets without donor restrictions are 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.
- 2) Net assets with donor restrictions 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, 2022, is invested in the Corporation's property and equipment and inventory. While Financial Accounting Standards Board (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 \$2,847,661 and \$167,920, respectively, at January 31, 2022.

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 tracked on advances of the federal funds. 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, 2022, 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, Postville and Tripoli, 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, 2022, the cost of these fixed assets totaled \$2,024,744.

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 to 40 years.

Depreciation expense totaled \$851,896 for the year ended January 31, 2022 and accumulated depreciation totaled \$5,991,212.

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires a company to recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The Corporation adopted this ASU on February 1, 2021, using the modified retrospective approach. The impact of adopting this ASU was not material to the Corporation's financial statements.

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 2022.

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.

1. Summary of Significant Accounting Policies (Continued)

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.

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.

p. Recent Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the statement of financial position. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new standard is effective for the Corporation's year ending January 31, 2023. The Corporation is currently evaluating the effect that implementation of the new standard will have on its financial statements and disclosures.

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, 2022:

Cash and cash equivalents	\$	5,532,685
Accounts receivables:		
Funding source		1,998,190
Other		50,944
Notes receivable		65,582
		65,582
Total	\$	7,647,401

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 \$5,532,585 and the bank balances totaled \$5,913,439. 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, 2022 is \$52,695.

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 74.1% 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 2022, 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, 2022. The indirect cost plan and rate was determined based on salary and benefits. The Corporation's approved rate for the year ended January 31, 2022 was 13.70%. For fiscal year 2021, the indirect cost plan and actual rate was 13.30%.

NOTES TO FINANCIAL STATEMENTS

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	26,218	39,201	65,419
Local	28,000	335,589	450,663	814,252
Transit	None	None	3,503,541	3,503,541
Single Family Rental	None	524,840	None	524,840
Postville Four Plex	15,300	513,746	4,700	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	526,756	35,338	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	5,971,057	4,295,867	10,468,279
Less accumulated depreciation	None	2,870,641	3,120,571	5,991,212
Total	<u>\$ 201,355</u>	<u>\$ 3,100,416</u>	<u>\$ 1,175,296</u>	<u>\$ 4,477,067</u>

The components of the Corporation's accumulated depreciation at January 31, 2022 are as follows:

	Buildings	Vehicles	Equipment	Total
Balance, beginning of year	\$ 2,454,639	\$ 2,464,062	\$ 464,196	\$ 5,382,897
Current year depreciation	418,823	419,513	13,560	851,896
Current year disposals	(2,821)	(130,036)	(110,724)	(243,581)
Balance, end of year	<u>\$ 2,870,641</u>	<u>\$ 2,753,539</u>	<u>\$ 367,032</u>	<u>\$ 5,991,212</u>

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt

Details of long-term debt as of January 31, 2022 are as follows:

	Balance Due	
	Total	Current
Calmar Apartments:		
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 \$412,595.	\$ 114,131	\$ 17,755
Waukon USDA:		
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 \$214,320.	221,661	9,015
HOME Investment Partnerships Program:		
Rent to Own:		
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.	273,235	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
0.0% interest bearing note payable, with a balloon payment due February 1, 2040 collateralized by real estate. This note is transferred with the related real estate as the homes are sold.	143,640	None
Single Family Rental:		
0.0% interest bearing note payable, forgivable in 2031. The real estate has a carrying value of \$415,185.	519,837	None
Postville Four Plex:		
0.0% interest bearing note payable with a balloon payment due February 1, 2039 collateralized by real estate with a carrying value of \$501,622.	529,100	None
Ridgewood Duplex Building:		
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 \$81,971.	36,217	3,652
Total long-term debt	\$ 2,203,621	\$ 31,652

NOTES TO FINANCIAL STATEMENTS

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

Maturities of long-term debt during the years following January 31, 2022 are as follows:

<u>Year Ending January 31,</u>	<u>Amount</u>
2023	\$ 31,652
2024	32,822
2025	34,043
2026	35,319
2027	36,651
2028 - 2032	624,615
2033 - 2037	85,940
2038 - 2042	1,073,943
2043 - 2048	<u>248,636</u>
Total	<u>\$ 2,203,621</u>

Interest expense totaled \$15,802 for the year ended January 31, 2022. No interest cost was capitalized for the year ended January 31, 2022.

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, 2021 through January 31, 2022, of their annual covered salary and the Corporation is required to contribute 9.44% from February 1, 2021 through January 31, 2022, of annual covered payroll. Contribution requirements are established by state statute. The Corporation's contribution to IPERS for the years ended January 31, 2022, 2021, and 2020 were \$445,497, \$480,280, and \$444,963, 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, 2022:

U.S. Department of Health and Human Services:	
Combined Wrap-Around	\$ 47,987
State Department of Human Rights:	
Low-income Home Energy Assistance	204,021
Low-income Home Energy Assistance - ARPA	810,235
Low-income Home Energy Assistance - LIHWAP	16,571
HEAP Weatherization Assistance for Low-income Persons	40,969
Community Services Block Grant	31,376
Community Services Block Grant - CARES	17,575
FaDSS	10,068
	1,130,815
U.S. Department of Agriculture:	
USDA CARES	144
USDA Emergency Operating Cost	29,612
USDA	11,258
Family Day Care	5,118
	46,132
State Department of Education:	
ICAA Disaster	4,381
ICAA Rent and Utility	22,208
	26,589
Head Start Local	62,282
Total advances from grantors	\$ 1,313,805

12. Leases

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

- Winneshiek County for \$6,343 per month from May 1, 2021 through June 30, 2024. The Corporation is required to provide insurance and upkeep on the building.
- Central Community School District for \$200 per month on a month-to-month basis.
- Cresco Fitness Center for \$250 monthly. The lease expires November 30, 2024.
- Postville Community School District for \$200 per month. The lease expires March 1, 2023.
- Allamakee County Agricultural Society for \$150 per month. The lease expires June 30, 2041.
- Office space for \$500 per month for Outreach on a month-to-month basis.
- Upper Explorerland Regional Planning Commission for \$100 per month. The lease expires on June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

12. Leases (Continued)

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

Center	Period of Lease	Monthly Rent
Postville CD	July 1, 2020 to July 1, 2022	\$ 700
Postville HS	July 1, 2020 to July 1, 2022	700

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, 2022	\$ 300
New Hampton CD	July 1, 2020 to June 30, 2022	300
Decorah CSD	July 1, 2020 to June 30, 2022	425
Oelwein CSD	August 10, 2020 to August 16, 2022	1,500
North Fayette CSD	August 1, 2020 to July 31, 2022	400
Monona HS	August 1, 2020 to July 31, 2022	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
2023	\$ 77,008
2024	81,327
2025	42,364
2026	1,800
2027	1,800
Thereafter	27,900
Total	\$ 232,199

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, 2022, 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.

13. Contingent Liabilities (Continued)

The Corporation built homes in Fayette, Postville and Tripoli, Iowa areas for low-income families to eventually own. Some of the funds were provided by a loan from the Iowa Finance Authority of \$782,675. 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, 2022, the balance of the loans to be forgiven is \$653,394 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 26 participants in the plan for the plan year ended January 31, 2022.

16. Fund Balance Deficit

As of January 31, 2022, Postville Four Plex has a deficit fund balance. The deficit in the Postville Four Plex is due to the project being completed and had additional expenses along with depreciation as of January 31, 2022, 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. The Corporation received significant federal grant support through the CARES Act and ARPA to provide financial assistance to the citizens of the counties it serves.

18. Subsequent Events

Subsequent events were evaluated through June 8, 2022, which is the date the financial statements were available to be issued.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended January 31, 2022

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

1. 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.
2. No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses are reported.
3. 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.
4. No significant deficiencies in internal control over the major federal award programs were disclosed by the audit of the financial statements. No material weaknesses are reported.
5. 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.
6. The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were as follows:
 - Federal Assistance Listing Number 93.568 Low-income Home Energy Assistance
 - 477 Cluster:
 - Federal Assistance Listing Number 93.569 Community Services Block Grant
 - Federal Assistance Listing Number 93.558 Temporary Assistance for Needy Families
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. 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 June 8, 2022.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2022

Grantor/Program	Federal Assistance Listing Number	Grant Number	Period of Grant	Program Expenditures
U.S. Department of Health and Human Services:				
Direct:				
Head Start	93.600	#07CH011393-02-00	02/01/21-01/31/22	\$ 2,456,997
Head Start Discretionary		#07CH011393-02-00	02/01/21-01/31/22	832,847
		#07CH01139302C3	02/01/21-01/31/22	111,864
		#07CH01139302C3	02/01/21-01/31/22	24,965
		#07HE000208-01-00	04/01/21-03/31/23	104,580
				<u>3,531,253</u>
U.S. Department of Housing and Urban Development:				
Direct:				
Housing Counseling Assistance Program	14.169	HC200821034	10/01/19-03/31/22	<u>8,365</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-21-09	10/01/20-09/30/21	1,207,817
		LIHEAP-20CA-09	03/27/20-09/30/21	39,639
		LIHEAP-21ARPA-09	05/27/21-09/30/22	1,318,748
		LIHWAP-21CAA-09	05/28/21-09/30/23	50,993
		HEAP 21-09	01/01/21-12/31/21	655,964
		HEAP 22-09	01/01/22-12/31/22	72,837
				<u>3,345,998</u>
Passed through Iowa Department of Human Rights:				
477 Cluster:				
Community Services Block Grant	93.569	CSBG-21-09	10/01/20-03/31/22	190,481
		CSBG-22-09	10/01/21-12/31/22	6,741
		CSBG-20S-09	01/20/20-09/30/22	143,347
				<u>340,569</u>
Passed through Iowa Department of Health and Human Services:				
477 Cluster:				
Temporary Assistance for Needy Families	93.558	ACFS 20-2049	07/01/19-06/30/21	31,325
		ACFS 20-2049	07/01/21-06/30/22	35,672
		FaDSS-21-09	07/01/20-09/30/21	54,197
		FaDSS-22-09	07/01/21-06/30/22	50,604
		FaDSS PEAFF-22-09	07/01/21-07/31/22	28,981
				<u>200,779</u>
Subtotal 477 Cluster				<u>541,348</u>
Child Care and Development Block Grant	93.575	ACFS 21-014	09/01/20-06/30/21	155,896
		ACFS 21-014	09/01/21-06/30/22	246,013
				<u>401,909</u>
Subtotal U.S. Department of Health and Human Services				<u>4,289,255</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 29.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2022

Grantor/Program	Federal Assistance Listing Number	Grant Number	Period of Grant	Program Expenditures
Other Federal Awards (Continued):				
U.S. Department of Transportation:				
Passed through Iowa Department of Transportation:				
Federal Transit Administration:				
Formula Grants for Rural Areas	20.509	Section 5311	07/01/20-06/30/22	\$ 320,976
			07/01/21-06/30/22	410,226
		Section 5311 CARES	01/20/20-06/30/23	377,881
				<u>1,109,083</u>
Federal Transit Capital Investment Grants	20.526	IA-2019-008-01	04/08/19-11/07/21	<u>135,150</u>
Subtotal U.S. Department of Transportation				<u>1,244,233</u>
U.S. Department of Energy:				
Passed through Iowa Department of Human Rights:				
Weatherization Assistance for Low-income Persons				
	81.042	DOE 20-09	04/01/20-03/31/21	11,676
		DOE 21-09	04/01/21-03/31/22	401,206
				<u>412,882</u>
U.S. Department of Homeland Security:				
Passed through Emergency Food and Shelter Program:				
Emergency Food and Shelter National Board Program				
	97.024	37-2864-00	01/27/20-10/31/21	1,065
		37-2884-00	01/27/20-10/31/21	2,800
		CARES-2864-00 003	01/27/20-10/31/21	1,364
		CARES-2884-00 006	01/27/20-10/31/21	3,328
				<u>8,557</u>
U.S. Department of Treasury:				
Passed through Iowa Finance Authority:				
Emergency Rental Assistance Program				
	21.023	IRUAP 2021-2022	04/19/21-12/31/22	<u>39,557</u>
U.S. Department of Agriculture:				
Passed through Iowa Department of Education:				
Child and Adult Care Food Program				
	10.558	96-8010	10/01/20-09/30/21	97,399
			10/01/21-09/30/22	71,367
		CACFP EOC	09/30/21	2,515
		96-8013	10/01/20-09/30/21	317,609
			10/01/21-09/30/22	152,456
		CACFP EOC	09/30/21	<u>12,573</u>
Subtotal U.S. Department of Agriculture				<u>653,919</u>
U.S. Department of Housing and Urban Development:				
Passed through Iowa Finance Authority:				
Home Investment Partnerships Program (HOME)				
	14.239	18MAY-HM-325	01/01/19-02/01/38	365,800
		14-HM-362	01/01/15-07/01/45	274,465
		14JUL-HM-924	01/01/15-12/01/31	523,829
		18MAY-HM-326	02/01/20-02/01/39	529,100
		20-1-HM-310	06/23/20-08/31/40	143,640
				<u>1,836,834</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 29.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended January 31, 2022

Grantor/Program	Federal Assistance Listing Number	Grant Number	Period of Grant	Program Expenditures
Other Federal Awards (Continued):				
U.S. Department of Housing and Urban Development (Continued):				
Passed through Iowa Community Action Agency:				
Home Investment Partnerships Program (HOME)	14.239	19-1-HM-565	06/01/19-04/30/22	\$ 42,921
Passed through Iowa Economic Development Authority:				
Passed through Howard County:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HC2000821034	04/26/821-01/31/23	37,600
Subtotal U.S. Department of Housing and Urban Development				<u>1,917,355</u>
Subtotal Other Federal Awards				<u>8,565,758</u>
Total Federal Awards				<u>\$ 12,105,376</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 29.

NORTHEAST IOWA COMMUNITY ACTION CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended January 31, 2022

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, 2022. 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:

- 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.
- Pass through entity identifying numbers are presented where available.

Indirect Cost Rate:

- 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, 2022:

Program Title	Federal Assistance Listing #	Amount Outstanding
Home Investment Partnerships Program (HOME)	14.239	\$ 273,235 529,100 519,837 365,800
Total		\$ 1,687,972

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards on page 29.



Hacker Nelson & Co., CPAs

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, 2022, 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 June 8, 2022.

Report on 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 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 or significant deficiencies may exist that were not identified.

Report on 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
June 8, 2022



Hacker Nelson & Co., CPAs

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

Opinion on Each Major Federal Program

We have audited Northeast Iowa Community Action Corporation's (a nonprofit corporation) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northeast Iowa Community Action Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northeast Iowa Community Action Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northeast Iowa Community Action Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northeast Iowa Community Action Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northeast Iowa Community Action Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northeast Iowa Community Action Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northeast Iowa Community Action Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Northeast Iowa Community Action Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, and have issued our report thereon dated June 8, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed 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
June 8, 2022



Hacker Nelson & Co., CPAs

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, 2022, 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 June 8, 2022, contains our report on the Corporation's internal control. This letter does not affect our report dated June 8, 2022, 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
June 8, 2022