

Lakes & Prairies Community Action Partnership, Inc.

Financial Statements

February 28, 2023 and 2022



Lakes & Prairies Community Action Partnership, Inc.
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Independent Auditor's Report

Board of Directors
Lakes & Prairies Community Action Partnership, Inc.
Moorhead, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lakes & Prairies Community Action Partnership, Inc., which comprise the statements of financial position as of February 28, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakes & Prairies Community Action Partnership, Inc. as of February 28, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Lakes & Prairies Community Action Partnership, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, on March 1, 2022, the entity adopted new accounting guidance related to Financial Accounting Standards Board Accounting Standards Codification Topic 842: *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Lakes & Prairies Community Action Partnership, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

In performing an audit in accordance with GAAS 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 Lakes & Prairies Community Action Partnership, Inc.'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 Lakes & Prairies Community Action Partnership, Inc.'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.

Supplementary Information

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, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
November 17, 2023

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lakes & Prairies Community Action Partnership, Inc. (the Organization) operates as a nonprofit organization to eliminate poverty, empower families, and engage communities. The Organization's main programs include:

- Head Start – the Head Start program offers comprehensive early childhood services to children ages birth to five and families with limited income and for children with special needs that reside within Clay and Wilkin Counties.
- Child Care Connections – the Child Care Connections program offers support to early childhood programs to improve quality through Parent Aware in Northwest Minnesota & Bright & Early quality rating system in North Dakota. Support provided to early childhood programs may be through grants, professional training and advising, and coaching. This program also helps families afford childcare by administering Early Learning Scholarships throughout 9 counties in west central Minnesota.
- Economic Empowerment – the Economic Empowerment program supports individuals and families in their goals of achieving employment, nutritional, medical, and economic security. All programs work together to provide holistic support to families.
- Housing – the Housing program provides assistance to people who are experiencing homelessness or are precariously housed.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

Restricted Cash

The Organization has elected out of Minnesota state unemployment insurance and participates in a grantor trust to cover unemployment insurance claims. Restricted cash represents the Organization's estimated cash balance for potential unemployment insurance claims. If claims exceed payments into the trust the Organization could become liable for those claims.

Grants Receivable

Grants receivable are government and pass-through grant funds received subsequent to year-end and are specifically allocated to the Organization's operations for the years 2023 and 2022. No allowance is deemed necessary due to the nature of the government grants.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, and receivables. The Organization places its cash and cash equivalents with a limited number of financial institutions. At times, the Organization's cash and cash equivalents are in excess of the FDIC insurance limit.

The Organization is subject to a degree of vulnerability due to concentrations of grant receivables and revenue from major funding sources. As of February 28, 2023, two foundation grants accounted for approximately 27% of grant receivables. As of February 28, 2022, three foundation grants accounted for approximately 40% of grant receivables. The Organization received approximately 93% and 85% of its total funding sources from grants through federal and state agencies for 2023 and 2022, respectively.

Property and Equipment

Property and equipment are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over \$5,000 and an estimated useful life greater than one year.

The property and equipment acquired is owned by the Organization while used in the program for which it was purchased or in other future authorized programs. However, certain funding sources have a revisionary interest in the property and equipment purchased with grant funds; their disposition, as well as the ownership of any proceeds and the assets are subject to the regulations of the funding source.

Long-Lived Assets

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended February 28, 2023 and 2022.

Leases

Effective March 1, 2022, the Organization classifies leases as either operating or finance leases at the commencement date of the lease. A lease is classified as a finance lease if any of the five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying assets and the lessee is reasonably certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying assets, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying assets or (5) the underlying assets are of such a specialized nature that they are expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Organization recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Organization does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Organization are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Organization has elected the practical expedient that allows for private companies to utilize the risk-free rate based on asset class.

Prior to March 1, 2022, the Organization accounted for its leases as either operating or capital leases. Assets and liabilities for operating leases were not recorded but were recorded within operations on a straight-line basis over the term of the lease.

Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 restrictions 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. 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.

Revenue Recognition

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts collected in advance of conditions being met are recorded as refundable advances.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of February 28, 2023 and 2022, conditional contributions of approximately \$6,220,786 and \$8,918,455, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Program service fee revenue is recognized as performance obligations are satisfied. Performance obligations are satisfied at a point in time and revenue is recognized when goods or services are provided to customers, and it is not required to provide additional goods or services. The Organization determines the transaction price based on standard charges for goods and services provided. Program service fees paid in advance are deferred to the period in which the underlying performance obligation is met. The majority of program service fees are billed monthly and are due net 30 days. Accounts receivable as of March 1, 2021 totaled \$7,274.

In-Kind Contributions

In-kind contributions are valued at fair value on the date of the donation. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time in the Organization's program services. However, no amounts have been reflected in the statements for donated services because they do not meet recognition criteria prescribed by U.S. GAAP.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the programs and supporting services benefited. The cost allocation plan outlines the type of costs as well as the process for allocating the shared expenses. Office space and rental costs are allocated based on actual square footage occupied by each program. Office related costs are allocated to individual programs based on their actual usage. Employee overhead costs are allocated based on the amount of time an employee works for a program. Insurance costs are allocated based on type and whether the policies are specifically written and required for an individual program or a universal policy that is required for the entire Organization.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the guidance on the impairment of financial instruments and adds an impairment model, known as the current expected credit losses model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses over the contractual life of a financial asset. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which defers the effective date to annual reporting periods beginning after December 15, 2022, with early adoption permitted. The provisions of this ASU are to be applied using the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

Recently Adopted Accounting Pronouncements

Effective March 1, 2022, the Organization adopted FASB ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU were applied on a retrospective basis and did not have a material impact on the financial statements.

Effective March 1, 2022, the Organization adopted the new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*, utilizing the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption. The Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization did not reassess at adoption (a) whether the contract contains a lease under Topic 842, (b) whether classification of the lease would be different in accordance with Topic 842, or (c) initial direct costs for existing leases. The Organization also elected the practical expedients (1) to discount the lease liability using the risk-free implicit rate, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components.

As a result of the adoption of the new lease accounting standard, the Organization's statement of financial position was materially impacted by the recognition of its ROU assets and lease liabilities of \$1,651,185. There was no significant impact on the statements of activities, functional expenses, or cash flows as a result of the adoption.

Subsequent Events

The Organization has evaluated subsequent events through November 17, 2023, the date which the financial statements were available to be issued.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,011,301	\$ 1,092,007
Grants receivable	1,361,413	1,443,952
Other receivable	15,675	28,604
Less net assets with donor restrictions	<u>532,644</u>	<u>749,962</u>
Total financial assets available for general expenditure	<u>\$ 1,855,745</u>	<u>\$ 1,814,601</u>

The Organization does not have a formal policy however it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit. The Organization also has a line of credit agreement which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of February 28, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 2,653,490	\$ 2,558,764
Vehicles	510,407	510,407
Equipment	<u>320,212</u>	<u>454,277</u>
	3,484,112	3,523,448
Less accumulated depreciation	<u>1,045,836</u>	<u>957,041</u>
Property and equipment, net	<u>\$ 2,438,276</u>	<u>\$ 2,566,407</u>

NOTE 4 – LINE OF CREDIT

The Organization obtained an \$80,000 line of credit from a bank to help finance its short-term capital needs. This line is collateralized by substantially all assets of the Organization. The interest rate on the line is subject to change from time to time based on changes in an index which is the reference rate set by the lender. The agreement matures November 2024 and interest is payable monthly on outstanding balances. As of February 28, 2023, the effective interest rate on the line of credit was 7.75%. There were no outstanding borrowings as of February 28, 2023 and 2022. In October 2023, the Organization increased the line of credit limit to \$500,000.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following as of February 28, 2023 and 2022:

	2023	2022
Bank		
Monthly installments of \$9,277, including interest at 4.73%, with a balloon payment due October 2046, secured by real estate.	\$ 1,739,304	\$ 1,783,598
Monthly installments of \$1,663, including interest at 3.50%, with a balloon payment due June 2025, secured by real estate.	<u>302,523</u>	<u>311,575</u>
	2,041,827	2,095,173
Less current maturities	<u>55,393</u>	<u>53,096</u>
Total long-term debt	<u><u>\$ 1,986,434</u></u>	<u><u>\$ 2,042,077</u></u>

Future principal payments on long-term debt are as follows for the years ending February 28/29:

2024	\$ 55,393
2025	57,396
2026	333,013
2027	51,420
2028	53,382
Thereafter	<u>1,491,223</u>
Total	<u><u>\$ 2,041,827</u></u>

In connection with the line of credit and bank debt agreements, the Organization has agreed to certain restrictive covenants. For both 2023 and 2022, the Organization violated one of these covenants; however, the violation is not being considered an event of default by the lender.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of February 28, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
Child care programming	\$ 136,755	\$ 27,078
Workforce development	4,167	-
Homework starts at home	9,352	12,183
Economic empowerment	42,340	-
Eliminate poverty	31,162	-
Whole family	-	8,656
Time restrictions	<u>482,610</u>	<u>711,552</u>
Total net assets with donor restrictions	<u><u>\$ 706,386</u></u>	<u><u>\$ 759,469</u></u>

Net assets released from restrictions consist of the following during the years ended February 28, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Child care programming	\$ 27,078	\$ 131,809
Workforce development	-	37,224
Economic empowerment	-	49,131
Homework starts at home	2,831	23,918
Head start summer school	-	1,737
Whole family	8,656	8,011
Expiration of time restrictions	<u>290,268</u>	<u>217,084</u>
Total net assets released from donor restrictions	<u><u>\$ 328,833</u></u>	<u><u>\$ 468,914</u></u>

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a voluntary 403(b) retirement plan that covers all employees. The Organization matches up to 2% of employee deferrals after one year of service with 1,000 hours. The Organization also contributes a base contribution amount equal to 5% of wages for each eligible participant after they complete one year of service with 1,000 hours. The employer contributions for 2023 and 2022 were \$277,408 and \$264,824, respectively.

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 8 – LEASES

The Organization has operating and finance lease agreements for office and classroom space, storage, and various equipment with remaining lease terms of one to seven years. Payments under these lease arrangements are fixed.

Lease costs for 2023 were as follows:

	2023
Finance lease costs	\$ 5,143
Operating lease costs	260,626
Short-term lease costs	7,167
Total lease costs	\$ 272,936

Rent expense for year ended February 28, 2022, which was accounted for in accordance with ASC 840, was \$264,303.

As of February 28, 2023, operating leases and finance leases had weighted-average remaining lease terms of 82 and 33 months, respectively, and the weighted-average discount rates were 4.44% and 4.17%, respectively.

Future minimum lease payments under non-cancellable leases are as follows for the years ending February 28/29:

	Finance	Operating
2024	\$ 4,856	\$ 247,319
2025	4,856	243,581
2026	3,555	239,981
2027	-	234,751
2028	-	234,276
Thereafter	-	450,746
Total lease payments	13,267	1,650,654
Less amounts representing interest	1,348	212,553
Present value of lease liabilities	\$ 11,919	\$ 1,438,101

Lakes & Prairies Community Action Partnership, Inc.
Notes to Financial Statements

NOTE 9 – CONTINGENCIES

Financial awards from federal and state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 – RELATED PARTY TRANSACTIONS

A member of the Board of Directors has ownership in a childcare facility that provides services to families that received an Early Learning Scholarships totaling \$160,674. The childcare also participates in the Parent Aware Quality rating program and can be eligible to receive grants that would help in providing quality childcare.

NOTE 11 – RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation with no effect on previously reported net assets. Specifically, the Child Care Connections program was separated from the Economic Empowerment program on the statement of activities and functional expenses. The prior year statement of activities and statement of functional expenses were also reclassified to remove internal reimbursement revenue and related internal expenses for the same amount, resulting in no impact to the change in net assets. Amounts included in Note 6 were also reclassified, there were no changes to total net assets with donor restrictions and total net assets released.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

St. Cloud, Minnesota
November 17, 2023

**Independent Auditor's Report on Compliance for Each Major Federal
Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

Board of Directors
Lakes & Prairies Community Action Partnership, Inc.
Moorhead, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Lakes & Prairies Community Action Partnership, Inc.'s compliance with requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Lakes & Prairies Community Action Partnership, Inc.'s major federal programs for the year ended February 28, 2023. Lakes & Prairies Community Action Partnership, Inc.'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, Lakes & Prairies Community Action Partnership, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended February 28, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Lakes & Prairies Community Action Partnership, Inc. 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 Lakes & Prairies Community Action Partnership, Inc.'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 Lakes & Prairies Community Action Partnership, Inc.'s major 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 Lakes & Prairies Community Action Partnership, Inc.'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 GAAS, *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 Lakes & Prairies Community Action Partnership, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Lakes & Prairies Community Action Partnership, Inc.'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 Lakes & Prairies Community Action Partnership, Inc.'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 Lakes & Prairies Community Action Partnership, Inc.'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 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.

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.

St. Cloud, Minnesota
November 17, 2023

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Programs

Assistance Listing No.	93.575
Name of Federal Program or Cluster	CCDF Cluster
Assistance Listing No.	14.231
Name of Federal Program or Cluster	Emergency Solutions Grant Program
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.