

**Lakes & Prairies Community
Action Partnership, Inc.**

Financial Statements

February 28, 2019 and 2018

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 Financial Statements

We have audited the accompanying financial statements of Lakes & Prairies Community Action Partnership, Inc., which comprise the statements of financial position as of February 28, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lakes & Prairies Community Action Partnership, Inc., as of February 28, 2019 and 2018, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2019, on our consideration of the Organization'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 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
June 27, 2019

FINANCIAL STATEMENTS

Lakes & Prairies Community Action Partnership, Inc.
Statements of Financial Position
As of February 28, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 302,533	\$ 45,120
Restricted cash - unemployment trust	51,739	111,559
Certificates of deposit, at cost	94,585	94,395
Due from other funds	724,796	807,999
Grants receivable	759,879	957,756
Other receivables	16,530	70,638
Prepaid expenses	56,603	75,248
Total current assets	2,006,665	2,162,715
Certificates of deposit, at cost	86,286	82,145
Property and equipment, net	904,962	872,112
Total assets	\$ 2,997,913	\$ 3,116,972
Liabilities and Net Assets		
Current liabilities		
Current maturities of facility loan	\$ 38,695	\$ 35,718
Due to other funds	724,796	807,999
Accounts payable	46,532	99,833
Accrued payroll, taxes and related benefits	203,040	184,557
Accrued compensated absences	237,619	209,300
Deferred revenue	110,136	158,225
Total current liabilities	1,360,818	1,495,632
Long-term liabilities		
Facility loan, less current maturities	466,983	507,353
Total liabilities	1,827,801	2,002,985
Net assets		
Without donor restrictions	1,170,112	1,113,987
Total Liabilities and Net Assets	\$ 2,997,913	\$ 3,116,972

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statements of Activities
Years Ended February 28, 2019 and 2018

	2019	2018
Revenues		
Grant revenue:		
Federal	\$ 4,282,295	\$ 3,948,118
State of Minnesota	2,561,349	2,302,046
State of North Dakota	38,129	40,981
Local	644,358	553,678
Contributions	92,270	23,765
In-kind contributions	-	415
Charges for services	371,171	357,542
Reimbursements	57,476	75,209
Interest	5,150	787
Loss on disposal of fixed assets	(5,629)	(2,867)
Total revenues	8,046,569	7,299,674
Expenses		
Salaries and wages	3,410,611	3,130,295
Fringe benefits	899,191	828,457
Administration	115,595	118,134
Contracted services	232,149	161,795
Supplies	440,032	446,580
Travel	99,841	136,142
Space costs and rentals	305,392	257,332
Other direct costs	2,106,798	1,813,062
Insurance	18,747	28,349
Depreciation	162,299	125,395
In-kind	-	415
Consultants and professional services	199,789	189,674
Total expenses	7,990,444	7,235,630
Change in net assets	56,125	64,044
Net Assets		
Beginning of year	1,113,987	1,049,943
End of year	\$ 1,170,112	\$ 1,113,987

Lakes & Prairies Community Action Partnership, Inc.
Statement of Functional Expenses
Year Ended February 28, 2019

	Program Services				Supporting Services		
	Head Start	Economic	Housing	Total	Management and General	Fundraising	Total
Expenses							
Salaries and wages	\$ 1,441,627	\$ 931,050	\$ 630,712	3,003,389	\$ 375,167	\$ 32,055	\$ 3,410,611
Fringe benefits	379,794	245,284	166,160	791,238	98,938	9,015	899,191
Administration	7,405	4,782	3,240	15,427	100,168	-	115,595
Contracted services	55,035	44,214	56,356	155,605	76,544	-	232,149
Supplies	292,079	77,677	21,872	391,628	48,404	-	440,032
Travel	49,756	21,319	13,609	84,684	15,157	-	99,841
Space costs and rentals	119,378	77,098	52,228	248,704	56,688	-	305,392
Other direct costs	89,623	1,940,464	60,794	2,090,881	13,435	2,482	2,106,798
Insurance	8,009	5,172	3,504	16,685	2,062	-	18,747
Depreciation	-	-	-	-	162,299	-	162,299
Consultants and Professional Services	143,060	36,403	20,326	199,789	-	-	199,789
Total expenses	<u>\$ 2,585,766</u>	<u>\$ 3,383,463</u>	<u>\$ 1,028,801</u>	<u>\$ 6,998,030</u>	<u>\$ 948,862</u>	<u>\$ 43,552</u>	<u>\$ 7,990,444</u>

Lakes & Prairies Community Action Partnership, Inc.
Statements of Cash Flows
Years Ended February 28, 2019 and 2018

	2019	2018
Cash Flows - Operating Activities		
Change in net assets	\$ 56,125	\$ 64,044
Adjustments to reconcile change in net assets to net cash flows - operating activities:		
Depreciation	162,299	125,395
Loss on disposal of property and equipment	5,629	2,867
Change in assets and liabilities:		
Due from other funds	83,203	(79,165)
Grants receivable	197,877	(240,459)
Other receivables	54,108	(9,099)
Prepaid expenses	18,645	(15,753)
Due to other funds	(83,203)	79,165
Accounts payable	(53,301)	15,699
Accrued payroll, taxes and related benefits	18,483	11,237
Accrued compensated absences	28,319	(3,490)
Deferred revenue	(48,089)	(55,903)
Total adjustments	383,970	(169,506)
Net cash flows - operating activities	440,095	(105,462)
 Cash Flows - Investing Activities		
Reinvested earnings on certificates of deposit	(4,331)	(349)
Purchases of property and equipment	(200,778)	(182,460)
Net cash flows - investing activities	(205,109)	(182,809)
 Cash Flows - Financing Activities		
Principal payments on capital lease obligation	-	(1,634)
Principal payments on facility	(37,393)	(33,680)
Net cash flows - financing activities	(37,393)	(35,314)
 Net Change in Cash and Cash Equivalents	197,593	(323,585)
 Cash and Cash Equivalents		
Beginning of Year	156,679	480,264
End of Year	\$ 354,272	\$ 156,679
 Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 302,533	\$ 45,120
Restricted cash - unemployment trust	51,739	111,559
Total cash and cash equivalents	\$ 354,272	\$ 156,679

See notes to financial statements.

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 Division 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.
- Economic Empowerment – the Economic Empowerment Division 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 Division provides assistance to people who are experiencing homelessness or are precariously housed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded as incurred. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 these estimates.

Cash and Cash Equivalents

The Organization considers cash in financial institutions and all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents. There was no cash paid for income taxes during 2019 and 2018.

Cash paid for interest for 2019 and 2018 was \$25,063 and \$26,662, respectively.

Certificates of Deposit

Certificates of deposit are carried at cost. Certificates of deposit that mature in the next twelve months are shown as current assets and any that mature after are shown as noncurrent assets.

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 2019 and 2018. 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)

Other Receivables

The other receivables are a result of the Organization extending unsecured credit to the users of the Organization's programs.

Management reviews the current status of existing receivables and charges off all receivables determined to be uncollectible; accordingly, no allowance for bad debts was considered necessary at February 28, 2019 and 2018.

The Organization considers receivables over 30 days to be past due and accrues interest at a monthly rate of 0.83% (10% annually) with a \$5 minimum on all past due accounts until collected. There were no accounts receivable that were 90 days or more past due and accruing interest at February 28, 2019 and 2018.

Property and Equipment

Office furniture and computer equipment are capitalized and depreciated over their estimated useful lives of 5 to 7 years. All other fixed assets purchased over \$5,000 are capitalized and depreciated over the estimated useful lives of 5 to 31 years. Contributed property and equipment are recorded at fair value at the date of the donation. Depreciation is calculated using the straight line basis and totaled \$162,299 and \$125,395 for 2019 and 2018, respectively.

Some funding sources have a reversionary interest in the equipment purchased with grant funds. Dispositions and ownership of any proceeds are subject to funding source regulations.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization has determined that no impairment existed at February 28, 2019 and 2018.

Compensated Absences

Employees of the Organization are entitled to paid time off, depending on job classification, length of service, and other factors. Compensated absences are charged to expenses during the period earned. A liability for accrued compensated absences is shown in the statements of financial position.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating contingency and operating reserve.

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 statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Grants are recorded as contributions or exchange transactions based on grantor based performance criteria. Grants that qualify as contributions follow contribution recognition policies. Grants that are exchange transactions are recognized as revenue in the accounting period when the related allowable expenses are incurred. Grant funds drawn in excess of the related grant expenses are treated as deferred revenue. Grant expenses in excess of the related grant funds drawn are treated as grants receivable.

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

In-Kind Contributions

In-kind contributions are reflected as contributions valued at fair value on the date of donation. A similar amount is included in expenses on the statements of activities unless capitalized as donated property and equipment. For 2019 and 2018, donated goods totaling \$0 and \$415, respectively, were recorded in various programs. 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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost Allocation

The Organization follows a cost allocation plan to allocate costs not directly attributable to specific programs. This cost allocation plan outlines the type of costs as well as the process for allocating the direct and joint expenses. Significant joint cost allocation methods include:

Office Space/Rental Costs – Allocated based on actual square footage occupied by each program.

Office Related Costs – Allocated to individual programs based on their actual usage.

Employee Overhead Costs – Allocated based on the amount of time an employee works for a program.

Insurance Costs – 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amount the programs and supporting services benefited.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2019 and 2018, the Organization incurred advertising costs totaling \$17,334 and \$6,225, respectively.

Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from Minnesota franchise and income tax.

The Organization is required to assess whether any uncertain tax positions exist and if there should be recognition of a related benefit or liability in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Subsequent Events

The Organization has evaluated subsequent events through June 27, 2019, the date which the financial statements were available to be issued.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-For-Profit Entities

The Fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (Topic 958), in its 2018 financial statements. This guidance reduces the net asset classification from three to two: net assets with and without donor restrictions; expands disclosures about liquidity; and requires expenses to be reported by their function and natural classification. The ASU has been adopted retrospectively except for liquidity and the reporting of expenses by function and natural classification, which can be reported in the current period only. The adoption of this guidance did not have a material impact on the Organization's financial statements.

Recently Issued Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. This update is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard will affect organizations that enter into contracts with customers and provides a five step process for determining when revenue should be recognized to match the transfer of goods or services. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Clarifying Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This update aims to standardize how grants and other contracts are classified as either an exchange transaction or a contribution. Classifying grants as either a contribution or exchange transaction is the first step in implementing revenue recognition. For most recipients, this update is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

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:

	2019
Cash and cash equivalents	\$ 302,533
Restricted cash - unemployment	51,739
Certificates of deposit	94,585
Grants receivable	759,879
Other receivable	16,530
Total current financial assets	1,225,266
Less:	
Restricted cash - unemployment	(51,739)
Less deferred revenue	(110,136)
Total financial assets available for general expenditure	\$ 1,063,391

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. As more fully described in Note 6, the Organization also has a line of credit agreement which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 – GRANTS RECEIVABLE

	2019	2018
Federal		
Food Support Outreach	\$ 12,272	\$ 12,903
Head Start	118,570	78,196
CDBG	1,211	3,890
CSGB	22,337	3,383
North Dakota STOP Grant	4,485	9,174
Clay Seniors	6,021	2,883
Affordable Care Act	9,806	7,922
HUD Permanent Supportive Housing	7,039	16,002
Emergency Solutions Grant	18,929	11,779
Minnesota Child Care Aware	198,977	262,210
VITA	3,650	4,166
Total Federal	403,297	412,508

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

NOTE 3 – GRANTS RECEIVABLE (CONTINUED)

	<u>2019</u>	<u>2018</u>
State of Minnesota		
CAG	\$ 12,878	\$ 7,434
HECAT	5,646	-
Clay-Wilkin CWHAPP	-	44,073
Transitional Housing	6,880	7,499
Head Start	22,570	28,215
Evidence Based Home Visiting	35,195	-
Homeless Youth Act	19,183	15,175
Housing Support Adults with Serious Mental Illness	43,433	46,622
Live Well at Home	8,983	-
DHS Community Living Outreach	22,478	-
DHS LT Homeless Supp Serv	3,405	-
New Americans Pathways 2 Prosperity	21,297	-
SOAR Service Funding	1,608	-
SOAR Pay for Performance	2,192	-
Pathways II	6,831	17,459
Early Learning Scholarship	103,705	354,321
Total State of Minnesota	<u>316,284</u>	<u>520,798</u>
State of North Dakota		
Rainbow Bridge Visitation Center	6,604	5,482
ND Child Care Aware	-	319
Total State of North Dakota	<u>6,604</u>	<u>5,801</u>
Local	<u>33,694</u>	<u>18,649</u>
Total grants receivable	<u>\$ 759,879</u>	<u>\$ 957,756</u>

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Equipment	\$ 1,757,769	\$ 1,627,453
Leasehold improvements	95,900	95,900
	1,462,716	1,853,669
Less accumulated depreciation	(557,754)	(981,557)
Property and equipment, net	<u>\$ 904,962</u>	<u>\$ 872,112</u>

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

NOTE 5 – DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
State of Minnesota		
Clay-Wilkin CWHAPP	\$ 14,953	\$ -
Child Care Supporter	941	-
Home Ownership Education Counseling and Training	-	3,598
DHS LT Homeless Supp Serv	-	9,370
Total State of Minnesota	<u>15,894</u>	<u>12,968</u>
Local	<u>94,242</u>	<u>145,257</u>
Total deferred revenue	<u><u>\$ 110,136</u></u>	<u><u>\$ 158,225</u></u>

NOTE 6 – 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 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 2020 and interest is payable monthly on outstanding balances. At February 28, 2019, the effective interest rate on the line of credit was 5.25%. No borrowings occurred during 2019 and 2018.

NOTE 7 – LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Area Foundation		
Monthly installments of \$1,865, including interest at 4.50%, through October 2021, secured by mortgage.	\$ 56,146	\$ 75,526
Bank		
Monthly installments of \$3,163, including interest at 4.73%, with a balloon payment due October 2026, secured by mortgage.	<u>449,532</u>	<u>467,545</u>
	505,678	543,071
Less current maturities	<u>(38,695)</u>	<u>(35,718)</u>
Total long-term debt	<u><u>\$ 466,983</u></u>	<u><u>\$ 507,353</u></u>

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

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

2020	\$ 38,695
2021	39,177
2022	33,517
2023	19,754
2024	20,709
Thereafter	<u>353,826</u>
Total	<u>\$ 505,678</u>

In connection with the line of credit and bank debt agreements, the Organization has agreed to certain restrictive covenants. At February 28, 2019, Management is not aware of any violations of these covenants. At February 28, 2018, the Organization violated one of those covenants; however, the violation has been waived by the lender.

NOTE 8 – 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. 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 2019 and 2018 were \$180,665 and \$177,336, respectively.

NOTE 9 – OPERATING LEASES

The Organization leases various facilities and equipment through operating leases. Lease expense is included within the space costs and rentals and other direct costs and totaled \$262,508 and \$249,380 for 2019 and 2018, respectively.

Total minimum future lease payments are as follows for the years ending February 28/29:

2020	\$ 224,942
2021	22,584
2022	22,584
2023	22,584
2024	22,584
Thereafter	<u>32,904</u>
Total minimum future lease payments	<u>\$ 348,182</u>

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

NOTE 10 – CONCENTRATIONS

Revenue

For 2019 and 2018, approximately 85% and 86% of the Organization's revenues were derived from grants through federal and state agencies, respectively.

Cash

At various times during the year, the Organization had cash on deposit with its financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses from such deposits.

NOTE 11 – CONTINGENCIES

Property

Under provisions of the federal grants, title to all nonexpendable property acquired for use in the programs shall revert to the grantor upon termination of the programs.

Regulation

The federal and state program activities are subject to financial and compliance regulation. To the extent that any expenditures are disallowed, a liability to the respective federal or state government could result.

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 eligible unemployment insurance claims. If claims exceed payments into the trust the Organization could become liable for those claims.

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SUPPLEMENTARY INFORMATION

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended February 28, 2019

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA No.</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through/Grantor</u>	<u>Federal Expenditures</u>
U. S. Department of Agriculture: Child and Adult Care Food Program	10.558		Direct	\$ 78,147
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Food Support Outreach	10.561	GRK%133077	MDHS	64,576
State Administrative Matching Grants for the Supplemental Food Support Outreach	10.561	GRK%133077	MDHS	44,892
Total SNAP Cluster				<u>109,468</u>
Total U.S. Department of Agriculture				<u>187,615</u>
U.S. Department of Housing and Urban Development: CDBG - Entitlement Grants Cluster				
CDBG Homebuyer Ed - City of Moorhead	14.218	N/A	City of Moorhead	6,845
CDBG Homebuyer Ed - City of Moorhead	14.218	N/A	City of Moorhead	2,211
CDBG Homebuyer Ed - City of Fargo	14.218	N/A	City of Fargo	379
Total CDBG - Entitlement Grants Cluster				<u>9,435</u>
Emergency Solutions Grant Program	14.231	GRK%126818	MDHS	<u>85,227</u>
Transitional Housing	14.235	MN0099L5K081606	Direct	86,489
Transitional Housing	14.235	MN0099L5K081707	Direct	81,222
Total CFDA 14.235				<u>167,711</u>
Total U.S. Department of Housing and Urban Development				<u>262,373</u>
U.S. Department of Justice Visitation Center	16.588	G17.487	NDDH	24,293
Visitation Center	16.588	G17-1033	NDDH	12,345
Total U.S. Department of Justice				<u>36,638</u>
U.S. Department of Treasury Vita	21.009		Direct	<u>5,735</u>
US Dept of Education: MN School Age Child Care Aware	84.412A	GRK%95079	MDHS	13,269
MN School Age Child Care Aware	84.412A	GRK%95079	MDHS	3,375
Total U.S. Department of Education				<u>16,644</u>
U.S. Department of Health and Human Services: Aging Cluster				
Clay Seniors	93.044	314-17-003B-416	WCAAA	11,788
Clay Seniors	93.044	314-18-003B-416	WCAAA	12,839
Total Aging Cluster				<u>24,627</u>
State Planning and Establishment Grant ACA	93.525	N/A	UCAP	14,418
State Planning and Establishment Grant ACA	93.525	N/A	UCAP	33,900
Total CFDA 93.525				<u>48,318</u>
CSBG	93.569	GRK%127521	MDHS	<u>129,044</u>
CCDF Cluster	93.575	GRK%131020	MDHS	<u>1,217,430</u>
Head Start	93.600		Direct	2,353,871
Total U.S. Department of Health and Human Services				<u>3,773,290</u>
Total Expenditures of Federal Awards				<u>\$ 4,282,295</u>

Lakes & Prairies Community Action Partnership, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended February 28, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Organization under the programs of the federal government for the year ended February 28, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The Organization did not subcontract any federal funds to subrecipients for the year ended February 28, 2019.

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

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lakes & Prairies Community Action Partnership, Inc. as of and for the year ended February 28, 2019, and the related notes to financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 result of that testing and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BergankDV, Ltd.

St. Cloud, Minnesota
June 27, 2019

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

Independent Auditor's Report

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

Report on Compliance on Each Major Federal Program

We have audited Lakes & Prairies Community Action Partnership, Inc., compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended February 28, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to in the first paragraph. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Lakes & Prairies Community Action Partnership, Inc. complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal for the year ended February 28, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this Report

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

BergankDV, Ltd.

St. Cloud, Minnesota
June 27, 2019

**Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs**

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

CFDA No.	93.600
Name of Federal Program or Cluster	Head Start
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.