

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

Financial Statements

February 28, 2018 and 2017



Lakes & Prairies Community Action Partnership, Inc.
Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	22
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Audit Findings	26



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, 2018 and 2017, and the related statements of activities 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, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2018, 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 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
July 26, 2018

FINANCIAL STATEMENTS

Lakes & Prairies Community Action Partnership, Inc.
Statements of Financial Position
As of February 28, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 45,120	\$ 335,138
Restricted cash - unemployment trust	111,559	145,126
Certificates of deposit, at cost	94,395	94,046
Due from other funds	807,999	728,834
Grants receivable	957,756	717,297
Other receivables	70,638	61,539
Prepaid expenses	75,248	59,495
Total current assets	2,162,715	2,141,475
Certificates of deposit, at cost	82,145	82,145
Property and equipment, net	872,112	817,914
Total assets	\$ 3,116,972	\$ 3,041,534
Liabilities and Net Assets		
Current liabilities		
Current maturities of capital lease	\$ -	\$ 1,634
Current maturities of facility loan	35,718	33,933
Due to other funds	807,999	728,834
Accounts payable	99,833	84,134
Accrued payroll, taxes and related benefits	184,557	173,320
Accrued compensated absences	209,300	212,790
Deferred revenue	158,225	214,128
Total current liabilities	1,495,632	1,448,773
Long-term liabilities		
Long-term debt, less current maturities	507,353	542,818
Total liabilities	2,002,985	1,991,591
Net assets		
Unrestricted	1,113,987	1,049,943
Total liabilities and net assets	\$ 3,116,972	\$ 3,041,534

Lakes & Prairies Community Action Partnership, Inc.
Statements of Activities
Years Ended February 28, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Grant revenue		
Federal	\$ 3,948,118	\$ 3,450,310
State of Minnesota	2,302,046	2,218,832
State of North Dakota	40,981	36,498
Local revenue	553,678	472,521
Contributions	23,765	89,277
In-kind contributions	415	2,114
Charges for services	357,542	346,597
Reimbursements	75,209	46,631
Interest	787	837
Gain (loss) on disposal of equipment	(2,867)	312
Total revenues	<u>7,299,674</u>	<u>6,663,929</u>
Expenses		
Salaries and wages	3,130,295	2,939,797
Fringe benefits	828,457	727,403
Administration	118,134	165,565
Contracted services	161,795	80,955
Supplies	446,580	287,001
Travel	136,142	149,801
Space costs and rentals	257,332	251,820
Other direct costs	1,813,062	1,809,265
Insurance	28,349	30,651
Depreciation	125,395	108,745
In-kind	415	2,114
Consultants and professional services	189,674	123,560
Total expenses	<u>7,235,630</u>	<u>6,676,677</u>
Change in net assets	64,044	(12,748)
Net Assets		
Beginning of year	<u>1,049,943</u>	<u>1,062,691</u>
End of year	<u>\$ 1,113,987</u>	<u>\$ 1,049,943</u>

Lakes & Prairies Community Action Partnership, Inc.
Statements of Cash Flows
Years Ended February 28, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows - Operating Activities		
Change in net assets	\$ 64,044	\$ (12,748)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	125,395	108,745
(Gain) loss on disposal of equipment	2,867	(312)
Change in operating assets and liabilities		
Due from other funds	(79,165)	(232,667)
Grants receivable	(240,459)	155,874
Other receivables	(9,099)	(40,837)
Prepaid expenses	(15,753)	(2,367)
Due to other funds	79,165	232,667
Accounts payable	15,699	(212,972)
Accrued payroll, taxes and related benefits	11,237	(9,837)
Accrued compensated absences	(3,490)	8,221
Deferred revenue	(55,903)	129,955
Total adjustments	<u>(169,506)</u>	<u>136,470</u>
Net cash flows - operating activities	<u>(105,462)</u>	<u>123,722</u>
 Cash Flows - Investing Activities		
Purchases of certificates of deposit	(349)	-
Maturities of certificates of deposit	-	26,035
Purchases of property and equipment	(182,460)	(57,995)
Net cash flows - investing activities	<u>(182,809)</u>	<u>(31,960)</u>
 Cash Flows - Financing Activities		
Principal payments on capital lease obligation	(1,634)	(17,645)
Principal payments on long-term debt	(33,680)	(10,749)
Net cash flows - financing activities	<u>(35,314)</u>	<u>(28,394)</u>
 Net change in cash and cash equivalents	(323,585)	63,368
 Cash and Cash Equivalents		
Beginning of year	<u>480,264</u>	<u>416,896</u>
 End of year	<u>\$ 156,679</u>	<u>\$ 480,264</u>
 Supplementary Disclosure of Cash Flow Information		
Property acquired through issuance of debt	<u>\$ -</u>	<u>\$ 587,500</u>
 Cash and Cash Equivalents		
Cash and cash equivalents	\$ 45,120	\$ 335,138
Restricted cash - unemployment	<u>111,559</u>	<u>145,126</u>
 Total cash and cash equivalents	<u>\$ 156,679</u>	<u>\$ 480,264</u>

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
- Clay Seniors Program
- Child Care Aware
- Rainbow Bridge
- Family and Community Services

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.

Financial Statement Presentation

The net assets and revenues of the Organization are reported based upon net assets restrictions and the purposes for which resources are to be spent and the means by which spending activities are controlled. Net asset restrictions are categorized as follows:

Unrestricted

Accounts for all expendable financial resources which are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Resources may be used at the discretion of the Board of Directors.

Temporarily Restricted

Accounts for (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations. At February 28, 2018 and 2017, the Organization did not have any temporarily restricted net assets.

Permanently Restricted

Accounts for all financial resources which include a donor-imposed restriction that stipulates the resources be maintained permanently, but permits the Organization to use or expend part or all of the income derived from the donated assets. At February 28, 2018 and 2017, the Organization did not have any permanently restricted net assets.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 and 2017.

Cash paid for interest for 2018 and 2017 was \$26,662 and \$9,619, 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 2018 and 2017. No allowance is deemed necessary due to the nature of the government grants.

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, 2018 and 2017.

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, 2018 and 2017.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Office furniture and computer equipment are capitalized and depreciated over their estimated useful lives of five to seven 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. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is calculated using the straight line basis and totaled \$125,395 and \$108,745 for 2018 and 2017, 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, 2018 and 2017.

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.

Grants

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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

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. 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. For 2018 and 2017, donated goods totaling \$415 and \$2,114, 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, since no objective basis is available to measure the value of such services.

Charges for Services

Charges for services are recognized as revenue in the year services are provided.

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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on estimates by management.

	2018	2017
Program		
Head Start	\$2,397,263	\$2,264,614
Clay Seniors	77,967	63,397
Child Care Aware	2,132,928	1,967,109
Rainbow Bridge	198,412	191,361
Family Community Services	1,553,934	1,315,789
Total program expenses	6,360,504	5,802,270
Management and general	875,126	874,407
Total expenses	\$7,235,630	\$6,676,677

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2018 and 2017, the Organization incurred advertising costs totaling \$6,225 and \$12,326, 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 July 26, 2018, the date which the financial statements were available to be issued

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

NOTE 2 – GRANTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Federal		
Food Support Outreach	\$ 12,903	\$ 5,146
MnSure	-	8,104
Head Start	78,196	83,041
CDBG	3,890	6,201
CSGB	3,383	10,527
North Dakota STOP Grant	9,174	9,370
Clay Seniors	2,883	-
Affordable Care Act	7,922	-
HUD Permanent Supportive Housing	16,002	11,601
Emergency Solutions Grant	11,779	2,499
Minnesota Child Care Aware	262,210	308,447
VITA	4,166	4,186
Total Federal	<u>412,508</u>	<u>449,122</u>
State of Minnesota		
CAG	7,434	10,234
FHPAP Technology	-	11,870
Clay-Wilkin CWHAPP	44,073	-
Transitional Housing	7,499	3,095
Head Start	28,215	23,420
Homeless Youth Act	15,175	8,477
Housing Support Adults with Serious Mental Illness	46,622	-
DHS LT Homeless Supp Serv	-	11,636
Pathways II	17,459	13,891
Early Learning Scholarship	354,321	164,780
Total State of Minnesota	<u>520,798</u>	<u>247,403</u>
State of North Dakota		
Rainbow Bridge Visitation Center	5,482	5,569
ND Child Care Aware	319	-
Total State of North Dakota	<u>5,801</u>	<u>5,569</u>
Local	<u>18,649</u>	<u>15,203</u>
Total grants receivable	<u>\$ 957,756</u>	<u>\$ 717,297</u>

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

NOTE 3 – PROPERTY AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Equipment	\$ 1,757,769	\$ 1,627,453
Leasehold improvements	<u>95,900</u>	<u>95,900</u>
	1,853,669	1,723,353
Less accumulated depreciation	<u>(981,557)</u>	<u>(905,439)</u>
Property and equipment, net	<u>\$ 872,112</u>	<u>\$ 817,914</u>

NOTE 4 – DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Federal		
Area Agency on Aging	<u>\$ -</u>	<u>\$ 1,423</u>
State of Minnesota		
Clay-Wilkin CWHAPP	-	27,932
Community Action Leadership Institute	-	18,462
Home Ownership Education Counseling and Training	3,598	6,713
DHS LT Homeless Supp Serv	<u>9,370</u>	<u>-</u>
Total State of Minnesota	<u>12,968</u>	<u>53,107</u>
Local	<u>145,257</u>	<u>159,598</u>
Total deferred revenue	<u>\$ 158,225</u>	<u>\$ 214,128</u>

NOTE 5 – LINE OF CREDIT

In December 2016, 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 certificates of deposit. 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 2018 and interest is payable monthly on outstanding balances. At February 28, 2018, the effective interest rate on the line of credit was 4.75%. No borrowings occurred during 2018 and 2017.

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

NOTE 6 - LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Area Foundation		
Monthly installments of \$1,865, including interest at 4.50%, through October 2021, secured by mortgage.	\$ 75,526	\$ 94,056
Bank		
Monthly installments of \$3,163, including interest at 4.73%, with a balloon payment due October 2026, secured by mortgage.	<u>467,545</u>	<u>482,695</u>
	<u>543,071</u>	<u>576,751</u>
Less current maturities	<u>(35,718)</u>	<u>(33,933)</u>
Total long-term debt	<u>\$ 507,353</u>	<u>\$ 542,818</u>

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

2019	\$ 35,718
2020	37,274
2021	39,027
2022	34,925
2023	19,587
Thereafter	<u>376,540</u>
Total	<u>\$ 543,071</u>

In connection with the line of credit and bank debt agreements, the Organization has agreed to certain restrictive covenants. At February 28, 2018, the Organization violated one of those covenants; however, the violation has been waived by the lender.

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. 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 2018 and 2017 were \$177,336 and \$169,899, respectively.

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

NOTE 8 – 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 \$249,380 and \$244,051 for 2018 and 2017, respectively.

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

2019	\$ 220,386
2020	24,736
2021	21,936
2022	21,936
Thereafter	<u>76,776</u>
Total minimum future lease payments	<u><u>\$ 365,770</u></u>

NOTE 9 – CONCENTRATIONS

Revenue

For both 2018 and 2017, approximately 86% of the Organization's revenues were derived from grants through federal and state agencies.

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 10 – 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.

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

NOTE 11 – RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation used in the current year financial statements.

SUPPLEMENTARY INFORMATION

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended February 28, 2018

Federal Grantor/Program or Cluster Title	Federal CFDA No.	Pass-Through Entity Identifying Number	Pass-Through/ Grantor	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture					
Child and Adult Care Food Program	10.558		Direct	\$ -	\$ 75,584
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Food Support Outreach	10.561	GRK% 102152	MDHS	-	48,161
State Administrative Matching Grants for the Supplemental Food Support Outreach	10.561	GRK% 133077	MDHS	-	44,370
Total SNAP Cluster				-	92,531
Total U.S. Department of Agriculture				-	168,115
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster					
CDBG Homebuyer Ed - City of Fargo	14.218	N/A	City of Fargo	-	7,121
CDBG Homebuyer Ed - City of Moorhead	14.218	N/A	City of Moorhead	-	2,755
CDBG Homebuyer Ed - City of Moorhead	14.218	N/A	City of Moorhead	-	2,900
Total CDBG - Entitlement Grants Cluster				-	12,776
Emergency Solutions Grant Program	14.231	GRK% 94480	MDHS	-	18,444
Emergency Solutions Grant Program	14.231	GRK% 126818	MDHS	-	62,700
Transitional Housing	14.235	MN0307L5K081300	MDHS	-	91,890
Transitional Housing	14.235	MN0099L5K081606	MDHS	-	87,326
Total U.S. Department of Housing and Urban Development				-	273,136
U.S. Department of Justice					
Visitation Center	16.588	G15.322	NDDH	-	33,227
Visitation Center	16.588	G17.487	NDDH	-	20,385
Total U.S. Department of Justice				-	53,612
U.S. Department of the Treasury					
Vita	21.009		Direct	-	6,230
U.S. Department of Education					
MN School Age Child Care Aware	84.412A	GRK% 95079	MDHS	-	25,387
U.S. Department of Health and Human Services:					
Aging Cluster					
Clay Seniors	93.044	314-17-003B-416	WCAAA	-	15,058
Clay Seniors	93.044	314-18-003B-416	WCAAA	-	15,482
Total Aging Cluster				-	30,540
State Planning and Establishment Grant ACA	93.525	N/A	UCAP	-	7,091
State Planning and Establishment Grant ACA	93.525	N/A	UCAP	-	40,458
CSBG	93.569	GRK% 64980	MDHS	-	(1,272)
CSBG	93.569	GRK% 127521	MDHS	-	99,856
CSBG	93.569	GRK% 127521	MDHS	-	17,627
CCDF Cluster					
MN School Age Child Care Aware	93.575	GRK% 95079	MDHS	-	54,426
MN School Age Child Care Aware	93.575	GRK% 131020	MDHS	-	144,681
MN School Age Child Care Aware	93.575	GRK% 95079	MDHS	-	396,678
MN School Age Child Care Aware	93.575	GRK% 131020	MDHS	-	441,695
Total CCDF Cluster				-	1,037,480
Head Start	93.600		Direct	-	2,189,858
Total U.S. Department of Health and Human Services				-	3,421,638
Total Federal Expenditures				\$ -	\$ 3,948,118

Lakes & Prairies Community Action Partnership, Inc.
Notes to Schedule of Expenditures of Federal Awards

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, 2018. 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.

**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, 2018, and the related notes to financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated July 26, 2018.

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*, 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.



Internal Control Over Financial Reporting (Continued)

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
July 26, 2018

**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, 2018. 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 audits 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.



Auditor's Responsibility (Continued)

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, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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
July 26, 2018

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 programs	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major 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
CFDA No.	93.575
Name of Federal Program or Cluster	Child Care Aware
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 for current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None for current year.

Lakes & Prairies Community Action Partnership, Inc.
Summary Schedule of Prior Audit Findings

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

AUDIT FINDING 2017-001 – MATERIAL AUDIT ADJUSTMENT

Condition:

The Organization did not properly adjust the year end accrual for unemployment insurance.

Recommendation:

We recommended management analyze the reserve level for unemployment insurance and update the year end accrual to claims that have transpired but have not yet been paid to state.

Current Status

The recommendation was adopted. No similar findings were noted in the current year.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

U.S. Department of Health and Human Services

Head Start, CFDA 93.600

05CH41119/49

**AUDIT FINDING 2017-002 – ALLOWABLE COSTS – SELF INSURED UNEMPLOYMENT
COMPENSATION**

Condition:

The Organization did not properly adjust the year end accrual for unemployment insurance and over charged the federal grant for unemployment insurance costs.

Recommendation:

We recommended management analyze the reserve level for unemployment insurance on a regular basis and update the year end accrual to the claims that have transpired but have not yet been paid to state.

Current Status

The recommendation was adopted. No similar findings were noted in the current year.

Lakes & Prairies Community Action Partnership, Inc.
Summary Schedule of Prior Audit Findings

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services
Head Start, CFDA 93.600
05CH41119/49

AUDIT FINDING 2017-003 – CASH MANAGEMENT

Condition:

The Organization requested reimbursement funds prior to incurring costs.

Recommendation:

We recommended the Organization create a preventive control process that ensures only costs supported by proper documentation and that are incurred and paid for prior to requesting reimbursement from the grantor.

Current Status

The recommendation was adopted. No similar findings were noted in the current year.