Financial Statements

February 28, 2026 and 2025

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lakes & Prairies Community Action Partnership, Inc., which comprise the statements of financial position as of February 28, 2026 and 2025, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakes & Prairies Community Action Partnership, Inc. as of February 28, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakes & Prairies Community Action Partnership, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakes & Prairies Community Action Partnership, Inc.'s ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakes & Prairies Community Action Partnership, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, on our consideration of Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting and compliance.

Berganklv, Ltd.

St. Cloud, Minnesota
June 25, 2026

Lakes & Prairies Community Action Partnership, Inc.
Statements of Financial Position
As of February 28, 2026 and 2025

	2026	2025
Assets		
Current assets		
Cash and cash equivalents	$ 1,125,096	$ 1,760,958
Restricted cash - unemployment trust	35,210	51,432
Grants receivable	2,022,751	1,644,252
Other receivables	30,756	10,304
Prepaid expenses and other assets	138,687	116,140
Total current assets	3,352,500	3,583,086
Certificates of deposit	97,527	94,976
Property and equipment, net	3,039,824	2,785,230
Right-of-use assets - operating leases	584,380	857,984
Right-of-use assets - finance leases	-	3,085
Total assets	$ 7,074,231	$ 7,324,361
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	$ 56,863	$ 332,957
Current portion of operating lease liabilities	214,921	211,860
Current portion of finance lease liabilities	-	3,500
Accounts payable	194,135	115,588
Accrued payroll, taxes, and related benefits	570,180	515,498
Accrued compensated absences	539,484	465,056
Refundable advances	514,178	793,288
Total current liabilities	2,089,761	2,437,747
Long-term debt	1,750,158	1,596,162
Operating lease liabilities	369,459	647,509
Total liabilities	4,209,378	4,681,418
Net assets		
Without donor restrictions	2,552,923	2,108,582
With donor restrictions	311,930	534,361
Total net assets	2,864,853	2,642,943
Total liabilities and net assets	$ 7,074,231	$ 7,324,361

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statement of Activities
Year Ended February 28, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Grant revenue			
Federal	$ 7,981,857	$ -	$ 7,981,857
State of Minnesota	4,823,699	-	4,823,699
State of North Dakota	942,156	-	942,156
Local	147,618	425	148,043
Foundations	79,507	194,839	274,346
Contributions	263,633	-	263,633
Contribution received in acquisition of REACH assets	337,200	-	337,200
Charges for services	335,007	-	335,007
Interest	18,751	-	18,751
Other revenue	14,287	-	14,287
Net assets released from donor restrictions	417,695	(417,695)	-
Total public support and revenues	15,361,410	(222,431)	15,138,979
Expenses			
Program services			
Head Start	3,420,903	-	3,420,903
Child Care Connections	3,891,555	-	3,891,555
Economic Empowerment	1,670,975	-	1,670,975
Housing	3,858,628	-	3,858,628
Management and general	1,983,088	-	1,983,088
Fundraising	91,920	-	91,920
Total expenses	14,917,069	-	14,917,069
Change in net assets	444,341	(222,431)	221,910
Net Assets			
Beginning of year	2,108,582	534,361	2,642,943
End of year	$ 2,552,923	$ 311,930	$ 2,864,853

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statement of Activities
Year Ended February 28, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Grant revenue			
Federal	$ 8,323,751	$ -	$ 8,323,751
State of Minnesota	4,649,802	-	4,649,802
State of North Dakota	803,566	-	803,566
Local	123,321	-	123,321
Foundations	74,330	345,539	419,869
Contributions	135,819	-	135,819
Charges for services	405,112	-	405,112
Interest	24,308	-	24,308
Net assets released from donor restrictions	349,133	(349,133)	-
Total public support and revenues	14,889,142	(3,594)	14,885,548
Expenses			
Program services			
Head Start	3,356,453	-	3,356,453
Child Care Connections	4,728,624	-	4,728,624
Economic Empowerment	1,311,338	-	1,311,338
Housing	3,144,546	-	3,144,546
Management and general	1,707,796	-	1,707,796
Fundraising	80,728	-	80,728
Total expenses	14,329,485	-	14,329,485
Change in net assets	559,657	(3,594)	556,063
Net Assets			
Beginning of year	1,548,925	537,955	2,086,880
End of year	$ 2,108,582	$ 534,361	$ 2,642,943

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statement of Functional Expenses
Year Ended February 28, 2026

	Program Services							
	Head Start	Child Care Connections	Economic Empowerment	Housing	Total	Management and General	Fundraising	Total
Salary and wages	$ 2,042,639	$ 1,964,773	$ 1,011,486	$ 1,516,076	$ 6,534,974	$ 1,208,994	$ 71,305	$ 7,815,273
Fringe benefits and payroll taxes	495,385	436,267	243,429	342,469	1,517,550	243,686	15,079	1,776,315
Insurance	31,271	13,059	9,807	10,216	64,353	36,473	-	100,826
Contracted services	90,868	13,466	42,761	684,298	831,393	129,020	-	960,413
Information technology	155,021	115,453	47,834	77,513	395,821	35,976	-	431,797
Travel	33,509	210,083	38,874	37,669	320,135	11,363	-	331,498
Occupancy	199,945	20,808	34,852	39,179	294,784	40,000	-	334,784
Office expenses	39,117	57,997	32,095	40,810	170,019	9,397	-	179,416
Program supplies	249,920	10,569	1,938	2,088	264,515	-	-	264,515
Advertising and promotion	12,189	39,480	4,798	525	56,992	1,758	-	58,750
Conferences, conventions, and meetings	64,008	78,509	23,920	23,254	189,691	69,041	-	258,732
Depreciation	-	-	-	-	-	197,380	-	197,380
Other program expenses	7,031	2,589	11,255	17,504	38,379	-	5,536	43,915
Grants and other assistance to individuals	-	928,502	167,926	1,067,027	2,163,455	-	-	2,163,455
Total expenses	$ 3,420,903	$ 3,891,555	$ 1,670,975	$ 3,858,628	$ 12,842,061	$ 1,983,088	$ 91,920	$ 14,917,069

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statement of Functional Expenses
Year Ended February 28, 2025

	Program Services							
	Head Start	Child Care Connections	Economic Empowerment	Housing	Total	Management and General	Fundraising	Total
Salary and wages	$ 1,953,148	$ 1,903,916	$ 841,609	$ 1,160,242	$ 5,858,915	$ 969,029	$ 66,337	$ 6,894,281
Fringe benefits and payroll taxes	469,293	396,544	204,420	268,185	1,338,442	182,600	12,078	1,533,120
Insurance	26,522	9,663	4,912	5,702	46,799	31,881	-	78,680
Contracted services	119,027	21,697	117,195	632,344	890,263	126,379	-	1,016,642
Information technology	146,886	70,211	34,944	50,419	302,460	87,841	-	390,301
Travel	42,197	199,433	33,716	26,541	301,887	11,463	-	313,350
Occupancy	213,827	20,658	18,792	37,102	290,379	32,645	-	323,024
Office expenses	59,043	54,858	17,811	34,974	166,686	17,274	-	183,960
Program supplies	200,071	7,228	-	-	207,299	-	-	207,299
Advertising and promotion	33,933	27,795	900	358	62,986	1,918	-	64,904
Conferences, conventions, and meetings	88,751	88,652	13,011	22,016	212,430	82,780	-	295,210
Depreciation	-	-	-	-	-	163,986	-	163,986
Other program expenses	3,755	1,483	3,336	23,206	31,780	-	2,313	34,093
Grants and other assistance to individuals	-	1,926,486	20,692	883,457	2,830,635	-	-	2,830,635
Total expenses	$ 3,356,453	$ 4,728,624	$ 1,311,338	$ 3,144,546	$ 12,540,961	$ 1,707,796	$ 80,728	$ 14,329,485

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statements of Cash Flows
Years Ended February 28, 2026 and 2025

	2026	2025
Cash Flows - Operating Activities		
Change in net assets	$ 221,910	$ 556,063
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	197,380	163,986
Donated inventory	(6,811)	-
Contribution received in the acquisition of REACH assets	(337,200)	-
Amortization of right-of-use assets - operating leases	208,540	199,825
Amortization of right-of-use assets - financing leases	3,085	4,338
Reinvested earning on certificates of deposit	(2,551)	(5,161)
Gain on sale of property and equipment	(800)	-
Change in assets and liabilities:		
Grants receivable	(378,499)	(166,355)
Other receivables	(20,452)	(1,989)
Prepaid expenses and other assets	(15,736)	(480)
Operating lease liabilities	(209,925)	(202,842)
Accounts payable	78,547	45,862
Accrued payroll, taxes, and related benefits	54,682	33,114
Accrued compensated absences	74,428	77,084
Refundable advances	(279,110)	357,236
Net cash flows - operating activities	(412,512)	1,060,681
Cash Flows - Investing Activities		
Purchases of property and equipment	(114,774)	(390,715)
Proceeds from sale of property and equipment	800	-
Net cash flows - investing activities	(113,974)	(390,715)
Cash Flows - Financing Activities		
Principal payments on long-term debt	(122,098)	(57,321)
Payments on finance lease liabilities	(3,500)	(4,597)
Net cash flows - financing activities	(125,598)	(61,918)
Net change in cash and cash equivalents and restricted cash	(652,084)	608,048
Cash, Cash Equivalents and Restricted Cash		
Beginning of Year	1,812,390	1,204,342
End of Year	$ 1,160,306	$ 1,812,390

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statements of Cash Flows
Years Ended February 28, 2026 and 2025

	2026	2025
Reconciliation to Statements of Financial Position		
Cash and cash equivalents	$ 1,125,096	$ 1,760,958
Restricted cash - unemployment trust	35,210	51,432
Total cash, cash equivalents, and restricted cash	$ 1,160,306	$ 1,812,390
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest on long-term debt	$ 74,543	$ 67,966
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows from finance leases	$ 76	$ 272
Financing cash outflows from finance leases	$ 3,479	$ 4,584
Operating cash outflows from operating leases	$ 239,841	$ 248,462
Supplemental Schedule of Noncash Investing and Financing Activities		
Derecognition of an operating ROU asset and lease liability	$ 116,591	$ 915,285
ROU assets obtained in exchange for operating lease liabilities	$ 51,527	$ 745,434

See notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

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

During 2025, the Organization acquired the assets of REACH, a nonprofit organization, for no consideration. As a result, the Organization recognized a contribution of $337,200, representing the fair value of the net assets received.

Accounting Estimates

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

Cash Equivalents

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

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

Grants Receivable

Grants receivable are government and pass-through grant funds received subsequent to year-end and are specifically allocated to the Organization's operations for the years 2026 and 2025. No allowance is deemed necessary due to the nature of the government grants.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

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

The Organization is subject to a degree of vulnerability due to concentrations of grant receivables and revenue from major funding sources. As of February 28, 2026 and 2025, federal and state agencies accounted for approximately 85% and 69%, respectively of grants receivable. The Organization received approximately 97% and 96% of its total grants through federal and state agencies for 2026 and 2025 respectively.

Property and Equipment

Property and equipment are carried at cost, or fair value if donated, with depreciation computed under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over $10,000 and an estimated useful life greater than one year.

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

Long-Lived Assets

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended February 28, 2026 and 2025.

Leases

The Organization recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Organization does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Organization are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Organization has elected the practical expedients (1) to discount the lease liability using the risk-free rate for all classes of assets, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components for all classes of assets.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restrictions is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

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

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of February 28, 2026 and 2025, conditional contributions of approximately $9,530,000 and $8,643,000, for which $514,178 and $793,288, respectively, as of February 28, 2026 and 2025 have been recorded as refundable advances. The remaining amounts were not recognized in the respective years as the conditions had not yet been met.

Charges for services are recognized as performance obligations are satisfied. Performance obligations are satisfied at a point in time and revenue is recognized when goods or services are provided to customers, and it is not required to provide additional goods or services. The Organization determines the transaction price based on standard charges for goods and services provided. The majority of program service fees are billed monthly and are due net 30 days. Accounts receivable as of March 1, 2024 totaled $8,315.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

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

Functional Allocation of Expenses

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

Tax Status

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

Subsequent Events

The Organization has evaluated subsequent events through June 25, 2026, the date which the financial statements were available to be issued.

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:

	2026	2025
Cash and cash equivalents	$ 1,125,096	$ 1,760,958
Grants receivable	2,022,751	1,644,252
Other receivables	30,756	10,304
Less net assets with donor restrictions	311,930	534,361
Total financial assets available for general expenditure	$ 2,866,673	$ 2,881,153

The Organization generally structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit. The Organization also has a line of credit agreement which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of February 28, 2026 and 2025:

	2026	2025
Buildings	$ 3,498,773	$ 3,161,573
Vehicles	543,160	525,464
Equipment	262,565	262,258
Total property and equipment	4,304,498	3,949,295
Less accumulated depreciation	1,264,674	1,164,065
Property and equipment, net	$ 3,039,824	$ 2,785,230

NOTE 4 – LINE OF CREDIT

The Organization has available a $500,000 line of credit from a bank to help finance its short-term needs. This line is collateralized by substantially all assets of the Organization. The interest rate on the line is subject to change from time to time based on changes in an index which is the reference rate set by the lender. As of February 28, 2026, the effective interest rate on the line of credit was 7.75%. The agreement matures November 2026 and interest is payable monthly on outstanding balances. There were no outstanding borrowings as of February 28, 2026 and 2025.

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of the following as of February 28, 2026 and 2025:

	2026	2025
Bank		
Monthly installments of $9,277, including interest at 3.75%, with a balloon payment due November 2046, secured by real estate.	$ 1,596,063	$ 1,645,692
Monthly installments of $1,663, including interest at 6.75%, with a balloon payment due June 2030, secured by real estate. This loan was refinanced during 2025 to extend an additional 5 years.	210,958	283,427
	1,807,021	1,929,119
Less current maturities	56,863	332,957
Total long-term debt	$ 1,750,158	$ 1,596,162

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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

2027	$ 56,863
2028	59,209
2029	61,617
2030	64,208
2031	246,540
Thereafter	1,318,584
Total	$ 1,807,021

In connection with the line of credit and bank debt agreements, the Organization has agreed to certain restrictive covenants.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of February 28, 2026 and 2025:

	2026	2025
Purpose restrictions		
Child care directors group	$ 6,422	$ 9,622
Workforce development	-	19,250
Homework starts at home	425	4,618
Housing support	5,833	12,538
Time restrictions	299,250	488,333
Total net assets with donor restrictions	$ 311,930	$ 534,361

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a voluntary 403(b) retirement plan that covers all employees. The Organization matches up to 2% of employee deferrals after one year of service with 1,000 hours. The Organization also contributes a base contribution amount equal to 5% of wages for each eligible participant after they complete one year of service with 1,000 hours. The employer contributions for 2026 and 2025 were $418,261 and $356,681, respectively.

NOTE 8 – LEASES

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

Lease costs for 2026 and 2025 were as follows:

	2026	2025
Finance lease costs	$ 3,141	$ 4,670
Operating lease costs	239,767	244,673
Total lease costs	$ 242,908	$ 249,343

Weighted-average remaining lease terms and discount rates were as follows as of February 28, 2026 and 2025:

	2026	2025
Weighted-average remaining lease terms - operating leases	32 months	48 months
Weighted-average discount rates - operating leases	4.25%	4.27%
Weighted-average remaining lease terms - finance leases	-	9 months
Weighted-average discount rates - finance leases	-	4.40%

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

2027	$ 233,465
2028	215,752
2029	168,678
Total lease payments	617,895
Less amounts representing interest	33,515
Present value of lease liabilities	$ 584,380

During the year, the Organization terminated an operating lease early, resulting in the derecognition of a ROU asset and lease liability of $116,591. A new lease was entered into for the same space.

NOTE 9 – CONTINGENCIES

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

NOTE 10 – RELATED PARTY TRANSACTIONS

A member of the Board of Directors has ownership in a childcare facility that provides services to families that received Early Learning Scholarships. The childcare facility also participates in the Parent Aware Quality rating program and can be eligible to receive grants that would help in providing quality childcare. Total amounts paid to this facility were $4,000 and $59,338, respectively, for the years ended February 28, 2026 and 2025.

NOTE 11 – RECLASSIFICATION

Certain amounts presented in the prior-year statement of activities have been reclassified to conform to the current-year presentation. Specifically, revenue previously reported within grant revenue has been reclassified to charges for services to better reflect the nature of the revenue source and to improve consistency in financial reporting. The reclassification had no impact on the change in net assets or total net assets previously reported.

NOTE 12 – SUBSEQUENT EVENT

On March 30, 2026, the Organization entered into a $500,000 revolving line of credit agreement with a bank. The line of credit matures on March 30, 2027, and is secured by substantially all business assets of the Organization, including an assignment of a certificate of deposit with a balance of approximately $350,000. As of the date these financial statements were available to be issued, no amounts had been drawn on the line of credit.

SUPPLEMENTARY INFORMATION

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended February 28, 2026

Federal Grantor/Program or Cluster Title	Assistance Listing No.	Pass-Through Entity Identifying Number	Pass-Through Entity	Total Federal Expenditures
U.S. Department of Agriculture				
Child and Adult Care Food Program	10.558		Direct	$ 107,763
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	219909,183150,257931	MNDCYF	141,605
Total SNAP Cluster				141,605
Total U.S. Department of Agriculture				249,368
U.S. Department of Housing and Urban Development				
Emergency Solutions Grant Program	14.231	GK302	MNDCYF	213,749
Continuum of Care Program	14.267		Direct	442,597
Total U.S. Department of Housing and Urban Development				656,346
U.S. Department of Treasury				
Volunteer Income Tax Assistance Matching Grant (VITA)	21.009		Direct	38,298
Total U.S. Department of Treasury				38,298
U.S. Department of Health and Human Services				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	314-23-003B-416	NWRDC	17,940
Total Aging Cluster				17,940
Projects for Assistance in Transition from Homelessness (PATH)	93.150	268984	MNDHS	47,491
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	219521,258618,258182,258314	MNDCYF	355,855
Community Services Block Grant	93.569	229596	MNDCYF	161,185
CCDF Cluster				
Child Care and Development Block Grant	93.575	203063,251589,237230,GK302,242843,GK302	MNDCYF	535,914
Child Care and Development Block Grant	93.575	300-12530	NDDHS	449,028
Child Care and Development Block Grant	93.575	GK401	MNDCYF	696,174
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	274806	MNDCYF	1,441,159
Total CCDF Cluster				3,122,275
Community-Based Child Abuse Prevention Grants	93.590C	2101MNBCC6	Clay County	180,787
Head Start Cluster				
Head Start	93.600		Direct	3,151,311
Total Head Start Cluster				3,151,311
Total U.S. Department of Health and Human Services				7,036,844
Total expenditures of federal awards				$ 7,980,856

See notes to schedule of expenditures of federal awards.

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 Lakes & Prairies Community Action Partnership, Inc. under programs of the federal government for the year ended February 28, 2026. 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 Lakes & Prairies Community Action Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lakes & Prairies Community Action Partnership, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting which conform to accounting principles generally accepted in the United States of America. 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.

NOTE 3 – INDIRECT COST RATE

Lakes & Prairies Community Action Partnership, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. For awards beginning after October 1, 2024, Lakes & Prairies Community Action Partnership, Inc. has not elected to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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., which comprise the statement of financial position as of February 28, 2026, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated June 25, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 25, 2026

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lakes & Prairies Community Action Partnership, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lakes & Prairies Community Action Partnership, Inc.'s major federal programs for the year ended February 28, 2026. Lakes & Prairies Community Action Partnership, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lakes & Prairies Community Action Partnership, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended February 28, 2026.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lakes & Prairies Community Action Partnership, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lakes & Prairies Community Action Partnership, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Berganklv, Ltd.

St. Cloud, Minnesota
June 25, 2026

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2026

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

Assistance Listing No.	93.596, 93.575
Name of Federal Program or Cluster	CCDF Cluster
Dollar threshold used to distinguish between type A and type B programs	$1,000,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.