

Lakes & Prairies Community Action Partnership, Inc.

Financial Statements

February 28, 2021 and February 29, 2020



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

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lakes & Prairies Community Action Partnership, Inc., which comprise the statements of financial position as of February 28, 2021 and February 29, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lakes & Prairies Community Action Partnership, Inc., as of February 28, 2021 and February 29, 2020, 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 and notes to 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 22, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
July 22, 2021

FINANCIAL STATEMENTS

Lakes & Prairies Community Action Partnership, Inc.
Statements of Financial Position
As of February 28, 2021 and February 29, 2020

	2021	2020 (Restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 864,075	\$ 850,913
Restricted cash - unemployment trust	81,436	55,291
Certificates of deposit, at cost	87,871	94,874
Grants receivable	1,094,374	843,171
Other receivables	7,274	26,925
Prepaid expenses	56,367	56,526
Total current assets	2,191,397	1,927,700
 Certificates of deposit, at cost	 87,541	 87,541
Property and equipment, net	1,200,988	975,428
 Total assets	 \$ 3,479,926	 \$ 2,990,669
 Liabilities and Net Assets		
Current liabilities		
Current maturities of facility loan	\$ 27,207	\$ 39,058
Accounts payable	8,699	19,308
Accrued payroll, taxes and related benefits	337,110	233,210
Accrued compensated absences	398,157	265,224
Refundable advances	140,763	87,424
Total current liabilities	911,936	644,224
 Long-term liabilities		
Facility loan, less current maturities	688,457	411,150
Total liabilities	1,600,393	1,055,374
 Net assets		
Without donor restrictions	1,260,657	1,395,501
With donor restrictions	618,876	539,794
Total net assets	1,879,533	1,935,295
 Total liabilities and net assets	 \$ 3,479,926	 \$ 2,990,669

Lakes & Prairies Community Action Partnership, Inc.
Statement of Activities
Year Ended February 28, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Grant revenue			
Federal	\$ 6,369,536	\$ -	\$ 6,369,536
State of Minnesota	3,248,442	-	3,248,442
State of North Dakota	35,157	-	35,157
Local	12,388	-	12,388
Foundations	112,425	475,250	587,675
Contributions	71,097	50,250	121,347
Charges for services	267,965	-	267,965
Reimbursements	53,163	-	53,163
Interest	1,109	-	1,109
Net assets released from donor restrictions	<u>446,418</u>	<u>(446,418)</u>	<u>-</u>
Total revenues	<u>10,617,700</u>	<u>79,082</u>	<u>10,696,782</u>
Expenses			
Program Services			
Head Start	3,269,159	-	3,269,159
Economic Empowerment	3,428,494	-	3,428,494
Housing	3,034,454	-	3,034,454
Supporting Services			
Management and general	956,139	-	956,139
Fundraising	<u>64,298</u>	<u>-</u>	<u>64,298</u>
Total expenses	<u>10,752,544</u>	<u>-</u>	<u>10,752,544</u>
Change in net assets	(134,844)	79,082	(55,762)
Net Assets			
Beginning of year	<u>1,395,501</u>	<u>539,794</u>	<u>1,935,295</u>
End of year	<u><u>\$ 1,260,657</u></u>	<u><u>\$ 618,876</u></u>	<u><u>\$ 1,879,533</u></u>

Lakes & Prairies Community Action Partnership, Inc.
Statement of Activities
Year Ended February 29, 2020 (Restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Grant revenue			
Federal	\$ 4,909,387	\$ -	\$ 4,909,387
State of Minnesota	3,057,946	-	3,057,946
State of North Dakota	38,593	-	38,593
Local	77,479	19,423	96,902
Foundations	220,028	399,121	619,149
Contributions	92,893	-	92,893
Charges for services	475,837	-	475,837
Reimbursements	28,513	-	28,513
Interest	3,075	-	3,075
Net assets released from donor restrictions	<u>166,660</u>	<u>(166,660)</u>	<u>-</u>
Total revenues	<u>9,070,411</u>	<u>251,884</u>	<u>9,322,295</u>
Expenses			
Program Services			
Head Start	3,048,556	-	3,048,556
Economic Empowerment	3,273,560	-	3,273,560
Housing	1,530,745	-	1,530,745
Supporting Services			
Management and general	936,698	-	936,698
Fundraising	<u>55,463</u>	<u>-</u>	<u>55,463</u>
Total expenses	<u>8,845,022</u>	<u>-</u>	<u>8,845,022</u>
Change in net assets	<u>225,389</u>	<u>251,884</u>	<u>477,273</u>
Net Assets			
Beginning of year, as previously stated	1,170,112	-	1,170,112
Prior period adjustment	<u>-</u>	<u>287,910</u>	<u>287,910</u>
Beginning of year, as restated	<u>1,170,112</u>	<u>287,910</u>	<u>1,458,022</u>
End of year	<u>\$ 1,395,501</u>	<u>\$ 539,794</u>	<u>\$ 1,935,295</u>

See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statement of Functional Expenses
Year Ended February 28, 2021

	Program Services				Supporting Services		
	Head Start	Economic Empowerme	Housing	Total	Management and General	Fundraising	Total
Expenses							
Salary & wages	\$ 1,971,635	\$ 1,280,806	\$ 951,300	\$ 4,203,741	\$ 525,886	\$ 51,154	\$ 4,780,781
Fringe and payroll taxes	493,537	310,134	209,368	1,013,039	126,832	13,144	1,153,015
Insurance	16,229	12,768	2,742	31,739	3,923	-	35,662
Fees for services	106,881	41,492	114,041	262,414	32,433	-	294,847
Information technology	195,260	100,009	53,830	349,099	43,147	-	392,246
Travel	6,826	20,786	6,750	34,362	4,247	-	38,609
Occupancy	201,254	121,728	47,398	370,380	45,778	-	416,158
Office expenses	104,361	59,520	34,029	197,910	14,896	-	212,806
Program supplies	100,305	12,409	6,560	119,274	-	-	119,274
Advertising & promotion	12,758	4,731	303	17,792	2,199	-	19,991
Conferences, conventions, meetings	59,024	22,304	13,087	94,415	11,669	-	106,084
Depreciation	-	-	-	-	145,129	-	145,129
Other program expenses	1,089	4,374	17,075	22,538	-	-	22,538
Grants & other assistance to individuals	-	1,437,433	1,577,971	3,015,404	-	-	3,015,404
Total expenses	<u>\$ 3,269,159</u>	<u>\$ 3,428,494</u>	<u>\$ 3,034,454</u>	<u>\$ 9,732,107</u>	<u>\$ 956,139</u>	<u>\$ 64,298</u>	<u>\$ 10,752,544</u>

∟ See notes to financial statements.

Lakes & Prairies Community Action Partnership, Inc.
Statement of Functional Expenses
Year Ended February 29, 2020

	Program Services				Supporting Services		
	Head Start	Economic Empowermen	Housing	Total	Management and General	Fundraising	Total
Expenses							
Salary & wages	\$ 1,705,426	\$ 1,210,895	\$ 657,745	\$ 3,574,066	\$ 447,113	\$ 43,492	\$ 4,064,671
Fringe and payroll taxes	442,667	300,580	154,378	897,625	112,382	11,647	1,021,654
Insurance	23,214	6,396	3,915	33,525	4,144	-	37,669
Fees for services	48,728	14,816	29,096	92,640	70,801	-	163,441
Information technology	141,196	54,881	38,393	234,470	25,792	-	260,262
Travel	35,539	39,625	42,112	117,276	17,373	-	134,649
Occupancy	180,249	98,717	41,710	320,676	79,678	-	400,354
Office expenses	71,724	59,347	23,184	154,255	10,720	-	164,975
Program supplies	295,083	28,253	51,921	375,257	21,235	-	396,492
Advertising & promotion	13,343	11,010	491	24,844	3,071	-	27,915
Conferences, conventions, meetings	22,885	11,550	11,641	46,076	5,695	-	51,771
Depreciation	-	-	-	-	135,993	-	135,993
Other program expenses	68,502	124,302	31,519	224,323	2,701	324	227,348
Grants & other assistance to individuals	-	1,313,188	444,640	1,757,828	-	-	1,757,828
Total expenses	<u>\$ 3,048,556</u>	<u>\$ 3,273,560</u>	<u>\$ 1,530,745</u>	<u>\$ 7,852,861</u>	<u>\$ 936,698</u>	<u>\$ 55,463</u>	<u>\$ 8,845,022</u>

Lakes & Prairies Community Action Partnership, Inc.
Statements of Cash Flows
Years Ended February 28, 2021 and February 29, 2020

	2021	2020
Cash Flows - Operating Activities		(Restated)
Change in net assets	\$ (55,762)	\$ 477,273
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	145,129	135,993
Change in assets and liabilities:		
Grants receivable	(251,203)	204,618
Other receivables	19,651	(10,395)
Prepaid expenses	159	77
Accounts payable	(10,609)	(27,224)
Accrued payroll, taxes and related benefits	103,900	30,170
Accrued compensated absences	132,933	27,605
Refundable advances	53,339	(22,712)
Total adjustments	193,299	338,132
Net cash flows - operating activities	137,537	815,405
 Cash Flows - Investing Activities		
Reinvested earnings on certificates of deposit	-	(1,544)
Maturities of certificates of deposit	7,003	-
Purchases of property and equipment	(49,000)	(206,459)
Net cash flows - investing activities	(41,997)	(208,003)
 Cash Flows - Financing Activities		
Principal payments on facility	(56,233)	(55,470)
 Net Change in Cash and Cash Equivalents and Restricted Cash	39,307	551,932
 Cash and Cash Equivalents and Restricted Cash		
Beginning of Year	906,204	354,272
End of Year	\$ 945,511	\$ 906,204
 Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 864,075	\$ 850,913
Restricted cash - unemployment trust	81,436	55,291
Total cash and cash equivalents	\$ 945,511	\$ 906,204
 Noncash Disclosures		
Property purchased with long-term debt	\$ 321,689	\$ -

See notes to financial statements.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

- Head Start – the Head Start Division offers comprehensive early childhood services to children ages birth to five and families with limited income and for children with special needs that reside within Clay and Wilkin Counties.
- Economic Empowerment – the Economic Empowerment Division supports individuals and families in their goals of achieving employment, nutritional, medical, and economic security. All programs work together to provide holistic support to families.
- Housing – the Housing Division provides assistance to people who are experiencing homelessness or are precariously housed.

Basis of Accounting

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

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalent

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. There was no cash paid for income taxes during 2021 and 2020.

Cash paid for interest for 2021 and 2020 was \$27,100 and \$22,872, 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 2021 and 2020. No allowance is deemed necessary due to the nature of the government grants.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables

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

Management reviews the current status of existing receivables and charges off all receivables determined to be uncollectible; accordingly, no allowance for bad debts was considered necessary at February 28, 2021 and February 29, 2020.

The Organization considers receivables over 30 days to be past due. There were no accounts receivable that were 90 days or more past due at February 28, 2021 and February 29, 2020.

Property and Equipment

Office furniture and computer equipment are capitalized and depreciated over their estimated useful lives of 5 to 7 years. All other fixed assets purchased over \$5,000 are capitalized and depreciated over the estimated useful lives of 5 to 31 years. Contributed property and equipment are recorded at fair value at the date of the donation. Depreciation is calculated using the straight line basis and totaled \$145,129 and \$135,993 for 2021 and 2020, 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, 2021 and February 29, 2020.

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.

Net Assets

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

Net Assets Without Donor Restrictions

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a 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. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at February 28, 2021 and February 29, 2020, conditional contributions approximately \$7,248,955 and \$5,123,266, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

The Organization follows Financial Accounting Standards Board Topic 958-605, *Revenue Recognition for Not-for-Profit Entities* in accounting for its Paycheck Protection Program (PPP) loan. The loan is effectively accounted for as a conditional grant (see Note 12).

Program service fees revenue is recognized as performance obligations are satisfied. Performance obligations are satisfied at a point in time and revenue is recognized when goods or services are provided to customers, and it is not required to provide additional goods or services. The Organization determines the transaction price based on standard charges for goods and services provided, with the exception of Rainbow Bridge and State of North Dakota supervised visits and exchanges programs. The transaction price for those programs is determined on a sliding fee scale based on level of customer income. Program service fees paid in advance are deferred to the period in which the underlying performance obligation is met. The majority of program service fees are billed monthly and are due net 30 days.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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 shared expenses. Significant cost allocation methods include:

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

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

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

Insurance Costs – Allocated based on type and whether the policies are specifically written and required for an individual program or a universal policy that is required for the entire Organization.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the programs and supporting services benefited based on management's estimate of time and effort.

Advertising Costs

The Organization's policy is to expense advertising costs as they are incurred. During 2021 and 2020, the Organization incurred advertising costs totaling \$19,991 and \$27,915, respectively.

Tax Status

The Organization is a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that is unrelated to the exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 864,075	\$ 850,913
Certificates of deposit	87,871	94,874
Grants receivable	1,094,374	843,171
Other receivable	7,274	26,925
Less:		
Refundable advances	(140,763)	(87,424)
Net assets with donor restrictions	<u>(618,876)</u>	<u>(539,794)</u>
Total financial assets available for general expenditure	<u>\$ 1,293,955</u>	<u>\$ 1,188,665</u>

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

NOTE 2 – LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization does not have a formal policy however it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit. As more fully described in Note 6, the Organization also has a line of credit agreement which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 – GRANTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Federal		
Food Support Outreach	\$ 16,400	\$ 13,085
Head Start	104,706	96,610
CDBG - COVID-19	1,989	-
CSGB	2,291	7,073
CSBG - COVID-19	4,163	
North Dakota STOP Grant	5,725	6,172
Clay Seniors	3,702	13,256
Affordable Care Act	12,999	11,960
HUD Permanent Supportive Housing	15,162	16,420
Refugee Resettlement	12,765	6,864
Emergency Solutions Grant	10,365	10,118
Emergency Solutions Grant - CV1 and CV2	8,502	-
Minnesota Child Care Aware	57,194	76,345
CHAP	48,073	-
VITA	-	7,875
	<u> </u>	<u> </u>
Total Federal	<u>\$ 304,036</u>	<u>\$ 265,778</u>

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

NOTE 3 – GRANTS RECEIVABLE (CONTINUED)

	<u>2021</u>	<u>2020</u>
State of Minnesota		
CAG	\$ 17,325	\$ 2,001
HECAT	8,623	5,243
Transitional Housing	5,581	5,910
Head Start	42,086	28,007
Evidence Based Home Visiting	13,521	27,083
Homeless Youth Act	17,052	18,448
Housing Support Adults w/Serious Mental Illness	59,913	51,015
Live Well at Home	24,719	25,228
DHS Community Living Outreach	15,244	14,673
Homework Starts at Home	747	5,823
MN Dept of Revenue	2,772	97
DHS LT Homeless Supp Serv	18,070	24,810
New Americans Pathways 2 Prosperity	-	9,036
SOAR Service Funding	-	6,627
SOAR Pay for Performance	-	10,758
Pathways II	39,566	11,430
Early Learning Scholarship	26,968	16,671
Total State of Minnesota	<u>292,187</u>	<u>262,860</u>
State of North Dakota		
Rainbow Bridge Visitation Center	<u>10,636</u>	<u>11,270</u>
Local/Foundation	<u>487,515</u>	<u>303,263</u>
Total grants receivable	<u>\$ 1,094,374</u>	<u>\$ 843,171</u>

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2021</u>	<u>2020</u>
Buildings	\$ 1,048,764	\$ 678,075
Vehicles	460,725	460,725
Equipment	474,556	492,520
	<u>1,984,045</u>	<u>1,631,320</u>
Less accumulated depreciation	<u>(783,057)</u>	<u>(655,892)</u>
Property and equipment, net	<u>\$ 1,200,988</u>	<u>\$ 975,428</u>

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

NOTE 5 – REFUNDABLE ADVANCES

	2021	2020
Federal		
City of Fargo - CDBG	\$ -	\$ 1,656
Coronavirus Relief Funding	6,294	-
MN Child Care Aware	-	6,431
	6,294	8,087
State of Minnesota		
Homework Starts at Home	117,057	-
Clay-Wilkin CWHAPP	17,020	35,702
Child Care Aware	392	-
Housing Supports HSASMI	-	43,635
Total State of Minnesota	134,469	79,337
Total refundable advances	\$ 140,763	\$ 87,424

NOTE 6 – LINE OF CREDIT

The Organization obtained an \$80,000 line of credit from a bank to help finance its short-term capital needs. This line is collateralized by substantially all assets of the Organization. The interest rate the line is subject to change from time to time based on changes in an index which is the reference rate set by the lender. The agreement matures November 2022 and interest is payable monthly on outstanding balances. At February 28, 2021, the effective interest rate on the line of credit was 4.75%. There were no outstanding borrowings at February 28, 2021 and February 29, 2020.

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

NOTE 7 – LONG-TERM DEBT

	2021	2020
Area Foundation		
Monthly installments of \$1,865, including interest at 4.50%, through October 2021, paid in full.	\$ -	\$ 30,761
Bank		
Monthly installments of \$3,163, including interest at 4.73%, with a balloon payment due October 2026, secured by mortgage.	399,166	419,447
Monthly installments of \$1,663, including interest at 3.50%, with a balloon payment due June 2025, secured by mortgage.	<u>316,498</u>	<u>-</u>
	715,664	450,208
Less current maturities	<u>(27,207)</u>	<u>(39,058)</u>
Total long-term debt	<u><u>\$ 688,457</u></u>	<u><u>\$ 411,150</u></u>

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

2022	\$ 27,207
2023	28,787
2024	30,063
2025	31,396
2026	302,822
Thereafter	<u>295,389</u>
Total	<u><u>\$ 715,664</u></u>

In connection with the line of credit and bank debt agreements, the Organization has agreed to certain restrictive covenants. For 2021, the Organization violated one of these covenants; however, that violation has been waived by the lender. For 2020, Management is not aware of any violations of these covenants.

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

NOTE 8 – DONOR RESTRICTED NET ASSETS

	2021	2020
Purpose restrictions		
Paint it forward	\$ -	\$ 1,200
Head start summer school	1,737	3,791
Workforce development	14,895	14,895
Economic empowerment	49,131	131,909
Supportive housing	-	281
Homework starts at home	36,101	18,085
Child care programming	158,887	66,784
Time restrictions	358,125	302,849
 Total net assets with donor restrictions	 \$ 618,876	 \$ 539,794
	2021	2020
Satisfaction of purpose restrictions		
Paint it forward	\$ 1,450	\$ -
Head start summer school	2,054	-
Economic empowerment	82,778	-
Supportive housing	281	-
Homework starts at home	31,984	-
Child care programming	131,897	-
Expiration of time restrictions	195,974	166,660
 Total net assets released from donor restrictions	 \$ 446,418	 \$ 166,660

NOTE 9 – 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 2021 and 2020 were \$249,253 and \$217,587, respectively.

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

NOTE 10 – OPERATING LEASES

The Organization leases various facilities and equipment through operating leases, the last which expires August 2025. Lease expense is included within the space costs and rentals and other direct costs and totaled \$298,358 and \$282,220 for 2021 and 2020, respectively.

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

2022	\$ 240,629
2023	23,256
2024	23,256
2025	23,256
2026	<u>11,628</u>
Total minimum future lease payments	<u><u>\$ 322,025</u></u>

NOTE 11 – CONCENTRATIONS

Revenue

For 2021 and 2020, approximately 88% and 86% of the Organization's revenues were derived from grants through federal and state agencies, respectively.

Cash

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

NOTE 12 – CONTINGENCIES

Paycheck Protection Program Loan

In April 2020, the Organization applied for and obtained a \$18,800 PPP loan, administered by the U.S. Small Business Administration (SBA), established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the loan, the Organization could apply for forgiveness for a portion of or all of the loan. In order to meet the conditions for forgiveness, the Organization was required to maintain certain employee levels and use the proceeds on eligible expenses including payroll, benefits, rent, and utilities. All conditions for forgiveness were met during 2021 (see also Note 16). Accordingly, the Organization recorded grant income of \$18,800, which is classified as contributions and grants on the statement of activities. The Organization must retain all records relating to the loan for six years from the date of forgiveness and must permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request.

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.

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

NOTE 12 – CONTINGENCIES (CONTINUED)

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.

NOTE 13 – RECLASSIFICATIONS

The prior year financial statements were reclassified to conform to the presentation used for the current year financial statements.

NOTE 14 – RISKS AND UNCERTAINTIES

On March 13, 2020, a national emergency was declared for COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Organization may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the Organization's financial statements cannot be determined at this time.

NOTE 15 – PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

During 2021, the Organization discovered receivables for unconditional grants were not recorded in error. The error resulted in understated grants receivable, grants revenue, and net assets. The following summarizes the prior period adjustment and restatement.

	As Previously Stated	Adjustment	Restated
For 2020			
Grants receivable	\$ 546,921	\$ 296,250	\$ 843,171
Beginning net assets	1,170,112	287,910	1,458,022
Grant revenue - foundations	610,809	8,340	619,149
Ending net assets	1,639,045	296,250	1,935,295

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

NOTE 16 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 22, 2021 which is the date that the financial statements were available to be issued.

In March 2021, the Organization's PPP loan was forgiven by the SBA (see Note 12).

In April 2021, the Organization applied for and obtained a second PPP loan in the amount of \$19,840, administered by the SBA, established under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act). The loan bears interest at 1.00%, matures in five years, and may be forgiven if the funds are used on eligible expenses in accordance with program guidance. The Organization applied for forgiveness in July 2021.

In July 2021, the Organization was approved by a bank to finance a building purchase for approximately \$1,510,000 and is expected to close in August 2021.

SUPPLEMENTARY INFORMATION

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Expenditures of Federal Awards
Year Ended February 28, 2021

Federal Grantor/Program or Cluster Title	Federal CFDA No.	Pass-Through Entity Identifying Number	Pass-Through/Grantor	Provided to Subrecipients	Federal Expenditures
U. S. Department of Agriculture:					
Child and Adult Care Food Program SNAP Cluster	10.558		Direct	\$ -	\$ 29,530
State Administrative Matching Grants for the Supplemental Food Support Outreach Total SNAP Cluster	10.561	GRK%133077	MDHS	-	137,824
Total U.S. Department of Agriculture				-	167,354
U.S. Department of Housing and Urban Development:					
CDBG-Entitlement Grants Cluster					
COVID-19 CDBG	14.218	N/A	City of Moorhead	-	1,989
CDBG	14.218	N/A	City of Moorhead	-	6,070
CDBG	14.218	N/A	City of Fargo	-	5,000
Total CDBG-Entitlement Grants Cluster				-	13,059
Emergency Solutions Grant Program	14.231	GRK%126818	MDHS	-	91,004
COVID-19 Emergency Solutions Grant Program	14.231	GRK%183653	MDHS	-	19,561
COVID-19 Emergency Solutions Grant Program	14.231	GRK%189318	MDHS	-	3,561
Total Emergency Solutions Grant Program				-	114,126
Continuum of Care Program	14.267		Direct	-	171,407
Total U.S. Department of Housing and Urban Development				-	298,592
U.S. Department of Justice					
Visitation Center	16.588	G17.487/G17-1033	NDDH	-	16,939
Visitation Center	16.588	G17-1033	NDDH	-	12,734
Total Visitation Center				-	29,673
Total U.S. Department of Justice				-	29,673
U.S. Department of Treasury:					
COVID-19 Coronavirus Relief Fund	21.019	N/A	Clay County	-	18,706
COVID-19 Coronavirus Relief Fund	21.019	N/A	MN Housing Authority	191,435	1,265,423
Total Coronavirus Relief Fund				191,435	1,284,129
Total U.S. Department of Treasury				191,435	1,284,129
US Dept of Education:					
MN School Age Child Care Aware	84.412A	GRK%95079	MDHS	-	1,307
Total U.S. Department of Education				-	1,307
U.S. Department of Health and Human Services:					
Aging Cluster					
Clay Seniors	93.044	314-17-003B-416	WCAAA	-	28,403
Total Aging Cluster				-	28,403
State Planning and Establishment Grant ACA	93.525	N/A	United CAP	-	56,631
Refugee Resettlement	93.566	GRK%167580	MDHS	-	99,496
CSBG	93.569	GRK%127521	MDHS	-	150,898
COVID-19 CSBG	93.569	177899	MDHS	-	29,208
Total CSBG				-	180,106
CCDF Cluster					
MN School Age Child Care Aware	93.575	GRK%131020	MDHS	-	1,377,561
MN School Age Child Care Aware	93.575	GRK%150613	WCI/MDHS	-	23,561
Total CCDF Cluster				-	1,401,122
Head Start Cluster					
Head Start	93.600		Direct	-	2,694,183
COVID-19 Head Start	93.600		Direct	-	128,540
Total Head Start Cluster				-	2,822,723
Total U.S. Department of Health and Human Services				-	4,588,481
Total expenditures of federal awards				\$ 191,435	\$ 6,369,536

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

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, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – PASS THROUGH ENTITY IDENTIFICATION NUMBERS

Several of the programs, grants, and/or awards included in the schedule are missing the pass-through entity identification numbers. The missing numbers are due to the pass-through entities not providing the pass-through entity identification numbers.

**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., which comprise the statement of financial position as of February 28, 2021, and the related statements of activities, functional expenses and cash flow for the year ended February 28, 2021 and the related notes to financial statements, and have issued our report thereon dated July 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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*.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 22, 2021

**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 for Each Major Federal Program

We have audited Lakes & Prairies Community Action Partnership, Inc.'s, 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, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lakes & Prairies Community Action Partnership, Inc. complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal for the year ended February 28, 2021.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

BergankDV, Ltd.

St. Cloud, Minnesota
July 22, 2021

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2021

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?	Yes, 2021-001
• 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)?	Yes

Identification of Major Programs

CFDA No.	21.019
Name of Federal Program or Cluster	Coronavirus Relief Fund
CFDA No.	93.600
Name of Federal Program or Cluster	Head Start Cluster
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low risk auditee?	Yes

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Material Weakness – Audit Adjustments

Criteria:

The Organization is required to prepare financial statements in accordance with generally accepted accounting principles (U.S. GAAP). This is a responsibility of the Organization's management. The preparation of financial statements in accordance with U.S. GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting.)

Condition:

The Organization relied on its independent auditors to assist in identifying certain adjustments that are necessary for the financial statements to be in conformance with U.S. GAAP as part of its external financial reporting process. Adjustments were necessary in order to present certain accounts in accordance with U.S. GAAP. The material adjustments that were proposed by the auditor and corrected by management were as follows:

- 1) Understatement of prior year grants receivable totaling \$296,250 and understatement of prior year net assets totaling \$296,250 for unconditional grant funding not recorded at the time the promise was made.
- 2) Understatement of current year grants receivable and grants revenue totaling \$100,000 for unconditional grant funding not recorded at the time the promise was made.

Cause:

The Organization did not identify certain adjustments that were necessary for the financial statements to be presented in accordance with U.S. GAAP.

Effect:

As a result of this condition, the Organization's financial information was initially misstated. Correcting prior period and current year entries were subsequently posted by management to the Organization's records and the appropriate balances are presented in the audited financial statements.

Recommendation:

We recommend the Organization enhance its internal controls over financial reporting with steps to ensure unconditional grants are recorded upon a promise made or receipt to be in conformity with U.S. GAAP.

Views of responsible officials:

Management agrees that Foundation revenues were not recorded in conformance with U.S. GAAP revenue recognition rules. Management has developed a plan to recognize revenue on this type of funding when the contract is received.

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.