



## **Financial Statements**

**February 29, 2024 and February 28, 2023**

**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 29, 2024 and February 28, 2023, 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 29, 2024 and February 28, 2023, 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 November 17, 2023, on our consideration of Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakes & Prairies Community Action Partnership, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bergan KOV, Ltd.".

St. Cloud, Minnesota  
October 22, 2024

**Lakes & Prairies Community Action Partnership, Inc.**  
**Statements of Financial Position**  
**As of February 29, 2024 and February 28, 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,162,569	\$ 1,011,301
Restricted cash - unemployment trust	41,773	25,519
Grants receivable	1,477,897	1,361,413
Other receivables	8,315	15,675
Prepaid expenses	115,660	81,529
Total current assets	<u>2,806,214</u>	<u>2,495,437</u>
Certificates of deposit	89,815	87,541
Property and equipment, net	2,558,501	2,438,276
Right-of-use assets - operating leases	1,227,660	1,438,101
Right-of-use assets - financing leases	<u>7,423</u>	<u>11,919</u>
Total assets	<u><u>\$ 6,689,613</u></u>	<u><u>\$ 6,471,274</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current maturities of long-term debt	\$ 57,299	\$ 55,393
Current portion of operating leases	205,372	196,192
Current portion of financing leases	4,617	4,433
Accounts payable	69,726	33,063
Accrued payroll, taxes and related benefits	482,384	430,791
Accrued compensated absences	387,972	345,961
Refundable advances	436,052	237,654
Total current liabilities	<u>1,643,422</u>	<u>1,303,487</u>
Long-term debt	1,929,141	1,986,434
Lease liabilities - operating	1,026,690	1,241,909
Lease liabilities - financing	<u>3,480</u>	<u>7,486</u>
Total liabilities	<u>4,602,733</u>	<u>4,539,316</u>
<b>Net assets</b>		
Without donor restrictions	1,548,925	1,225,572
With donor restrictions	537,955	706,386
Total net assets	<u>2,086,880</u>	<u>1,931,958</u>
Total liabilities and net assets	<u><u>\$ 6,689,613</u></u>	<u><u>\$ 6,471,274</u></u>

See notes to financial statements.

**Lakes & Prairies Community Action Partnership, Inc.**  
**Statement of Activities**  
**Year Ended February 29, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenues</b>			
Grant revenue			
Federal	\$ 7,181,409	\$ -	\$ 7,181,409
State of Minnesota	4,564,969	-	4,564,969
State of North Dakota	262,279	-	262,279
Local	193,659	-	193,659
Foundations	81,446	288,876	370,322
Contributions	83,585	-	83,585
Charges for services	129,995	-	129,995
Interest	17,970	-	17,970
Loss on disposal of property and equipment	(439)	-	(439)
Net assets released from donor restrictions	457,307	(457,307)	-
Total public support and revenues	<u>12,972,180</u>	<u>(168,431)</u>	<u>12,803,749</u>
<b>Expenses</b>			
Program services			
Head Start	3,299,822	-	3,299,822
Child Care Connections	4,165,802	-	4,165,802
Economic Empowerment	937,992	-	937,992
Housing	2,793,735	-	2,793,735
Management and general	1,374,303	-	1,374,303
Fundraising	77,173	-	77,173
Total expenses	<u>12,648,827</u>	<u>-</u>	<u>12,648,827</u>
Change in net assets	323,353	(168,431)	154,922
<b>Net Assets</b>			
Beginning of year	<u>1,225,572</u>	<u>706,386</u>	<u>1,931,958</u>
End of year	<u>\$ 1,548,925</u>	<u>\$ 537,955</u>	<u>\$ 2,086,880</u>

**Lakes & Prairies Community Action Partnership, Inc.**  
**Statement of Activities**  
**Year Ended February 28, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Grant revenue			
Federal	\$ 7,262,960	\$ -	\$ 7,262,960
State of Minnesota	3,566,512	-	3,566,512
Local	88,619	42,340	130,959
Foundations	132,833	242,917	375,750
Contributions	133,476	-	133,476
Charges for services	72,497	-	72,497
Interest	3,994	-	3,994
Net assets released from donor restrictions	328,833	(328,833)	-
Total public support and revenues	<u>11,589,724</u>	<u>(43,576)</u>	<u>11,546,148</u>
<b>Expenses</b>			
Program services			
Head Start	3,424,428	-	3,424,428
Child Care Connections	3,581,693	-	3,581,693
Economic Empowerment	931,021	-	931,021
Housing	2,490,651	-	2,490,651
Management and general	1,222,378	-	1,222,378
Fundraising	59,469	-	59,469
Total expenses	<u>11,709,640</u>	<u>-</u>	<u>11,709,640</u>
Change in net assets	<u>(119,916)</u>	<u>(43,576)</u>	<u>(163,492)</u>
<b>Net Assets</b>			
Beginning of year	<u>1,345,488</u>	<u>749,962</u>	<u>2,095,450</u>
End of year	<u>\$ 1,225,572</u>	<u>\$ 706,386</u>	<u>\$ 1,931,958</u>



**Lakes & Prairies Community Action Partnership, Inc.**  
**Statement of Functional Expenses**  
**Year Ended February 29, 2024**

	Program Services					Management and General	Fundraising	Total
	Head Start	Child Care Connections	Economic Empowerment	Housing	Total			
Salary and wages	\$ 1,979,256	\$ 1,345,262	\$ 583,200	\$ 1,056,109	\$ 4,963,827	\$ 769,829	\$ 61,794	\$ 5,795,450
Fringe and payroll taxes	464,761	307,975	145,117	242,971	1,160,824	178,879	15,379	1,355,082
Insurance	27,737	23,044	6,450	15,083	72,314	11,087	-	83,401
Fees for services	106,862	60,515	84,091	385,744	637,212	112,105	-	749,317
Information technology	110,143	81,317	27,856	65,169	284,485	30,075	-	314,560
Travel	18,557	122,342	26,030	18,661	185,590	20,183	-	205,773
Occupancy	230,335	17,905	18,664	36,068	302,972	35,107	-	338,079
Office expenses	65,370	54,737	16,039	33,296	169,442	14,934	-	184,376
Program supplies	189,429	14,602	500	-	204,531	-	-	204,531
Advertising and promotion	46,444	16,014	2,107	-	64,565	1,994	-	66,559
Conferences, conventions, meetings	57,176	42,847	14,002	18,481	132,506	23,385	-	155,891
Depreciation	-	-	-	-	-	176,725	-	176,725
Other program expenses	3,752	959	3,063	16,977	24,751	-	-	24,751
Grants and other assistance to individuals	-	2,078,283	10,873	905,176	2,994,332	-	-	2,994,332
Total expenses	<u>\$ 3,299,822</u>	<u>\$ 4,165,802</u>	<u>\$ 937,992</u>	<u>\$ 2,793,735</u>	<u>\$ 11,197,351</u>	<u>\$ 1,374,303</u>	<u>\$ 77,173</u>	<u>\$ 12,648,827</u>

See notes to financial statements.

**Lakes & Prairies Community Action Partnership, Inc.**  
**Statement of Functional Expenses**  
**Year Ended February 28, 2023**

	Program Services					Management and General	Fundraising	Total
	Head Start	Child Care Connections	Economic Empowerment	Housing	Total			
Salary and wages	\$ 1,826,039	\$ 1,107,849	\$ 601,981	\$ 1,059,729	\$ 4,595,598	\$ 632,785	\$ 44,822	\$ 5,273,205
Fringe and payroll taxes	455,118	246,540	230,636	255,391	1,187,685	163,954	14,647	1,366,286
Insurance	24,966	6,911	1,993	7,556	41,426	5,649	-	47,075
Fees for services	158,773	73,646	19,155	312,976	564,550	76,984	-	641,534
Information technology	212,843	98,046	19,219	78,095	408,203	55,664	-	463,867
Travel	30,921	75,647	13,476	17,828	137,872	18,801	-	156,673
Occupancy	190,388	2,878	9,595	103,775	306,636	41,814	-	348,450
Office expenses	69,567	44,068	(9,333)	38,830	143,132	10,705	-	153,837
Program supplies	363,674	3,120	-	1,006	367,800	-	-	367,800
Advertising and promotion	24,504	6,644	402	451	32,001	4,364	-	36,365
Conferences, conventions, meetings	61,045	32,868	13,198	34,367	141,478	19,292	-	160,770
Depreciation	-	-	-	-	-	192,366	-	192,366
Other program expenses	6,590	269	2,093	24,754	33,706	-	-	33,706
Grants and other assistance to individuals	-	1,883,207	28,606	555,893	2,467,706	-	-	2,467,706
Total expenses	<u>\$ 3,424,428</u>	<u>\$ 3,581,693</u>	<u>\$ 931,021</u>	<u>\$ 2,490,651</u>	<u>\$ 10,427,793</u>	<u>\$ 1,222,378</u>	<u>\$ 59,469</u>	<u>\$ 11,709,640</u>

See notes to financial statements.

**Lakes & Prairies Community Action Partnership, Inc.**  
**Statements of Cash Flows**  
**Years Ended February 29, 2024 and February 28, 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ 154,922	\$ (163,492)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	176,725	192,366
Amortization of right-of-use assets - operating leases	230,125	197,044
Amortization of right-of-use assets - financing leases	4,496	4,121
Loss on sale of equipment	439	-
Reinvested earning on certificates of deposit	(2,274)	-
Change in assets and liabilities:		
Grants receivable	(116,484)	82,539
Other receivables	7,360	12,929
Prepaid expenses	(34,131)	(5,641)
Operating lease liabilities	(225,723)	(197,044)
Accounts payable	36,663	(13,588)
Accrued payroll, taxes and related benefits	51,593	58,131
Accrued compensated absences	42,011	(31,882)
Refundable advances	198,398	(165,769)
Total adjustments	<u>369,198</u>	<u>133,206</u>
Net cash flows - operating activities	<u>524,120</u>	<u>(30,286)</u>
<b>Cash Flows - Investing Activities</b>		
Purchases of property and equipment	<u>(297,389)</u>	<u>(64,235)</u>
<b>Cash Flows - Financing Activities</b>		
Principal payments on long-term debt	(55,387)	(53,346)
Payments on finance lease liabilities	<u>(3,822)</u>	<u>(4,121)</u>
Net cash flows - financing activities	<u>(59,209)</u>	<u>(57,467)</u>
Net change in cash and cash equivalents and restricted cash	167,522	(151,988)
<b>Cash, Cash Equivalents and Restricted Cash</b>		
Beginning of Year	<u>1,036,820</u>	<u>1,188,808</u>
End of Year	<u>\$ 1,204,342</u>	<u>\$ 1,036,820</u>

**Lakes & Prairies Community Action Partnership, Inc.**  
**Statements of Cash Flows**  
**Years Ended February 29, 2024 and February 28, 2023**

	<u>2024</u>	<u>2023</u>
<b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	\$ 1,162,569	\$ 1,011,301
Restricted cash - unemployment trust	<u>41,773</u>	<u>25,519</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,204,342</u>	<u>\$ 1,036,820</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the period for interest on long-term debt	\$ 75,901	\$ 74,153
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows from finance leases	472	735
Financing cash outflows from finance leases	4,385	4,121
Operating cash outflows from operating leases	249,219	259,947
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
ROU assets obtained in exchange for operating lease liabilities	\$ 19,684	\$ 1,635,145
ROU assets obtained in exchange for finance lease liabilities	-	16,040

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

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

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

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

**Accounting Estimates**

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

**Cash Equivalents**

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

**Restricted Cash**

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

**Grants Receivable**

Grants receivable are government and pass-through grant funds received subsequent to year-end and are specifically allocated to the Organization's operations for the years 2024 and 2023. No allowance is deemed necessary due to the nature of the government grants.

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

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations**

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

The Organization is subject to a degree of vulnerability due to concentrations of grant receivables and revenue from major funding sources. As of February 29, 2024, one foundation grant accounted for approximately 30% of grant receivables. As of February 28, 2023, two foundation grants accounted for approximately 27% of grant receivables. The Organization received approximately 96% and 93% of its total funding sources from grants through federal and state agencies for 2024 and 2023, respectively.

**Property and Equipment**

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

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

**Long-Lived Assets**

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended February 29, 2024 and February 28, 2023.

**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.

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

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

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

*Net Assets Without Donor Restrictions*

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

*Net Assets With Donor Restrictions*

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

**Revenue Recognition**

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

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 29, 2024 and February 28, 2023, conditional contributions of approximately \$15,390,000 and \$6,221,000, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Program service fee revenue is recognized as performance obligations are satisfied. Performance obligations are satisfied at a point in time and revenue is recognized when goods or services are provided to customers, and it is not required to provide additional goods or services. The Organization determines the transaction price based on standard charges for goods and services provided. Program service fees paid in advance are deferred to the period in which the underlying performance obligation is met. The majority of program service fees are billed monthly and are due net 30 days. Accounts receivable as of March 1, 2022 totaled \$28,604.

**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 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.

**Recently Adopted Accounting Pronouncement**

Effective July 1, 2023, the Organization adopted Financial Accounting Standards Board (FASB) ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial assets. The Organization adopted this new guidance using the modified retrospective transition method. The adoption did not have a material impact on the Organization's consolidated financial statements and primarily resulted in enhanced disclosure.

**Subsequent Events**

The Organization has evaluated subsequent events through October 22, 2024, the date which the financial statements were available to be issued.



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

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,162,569	\$ 1,011,301
Grants receivable	1,477,897	1,361,413
Other receivable	8,315	15,675
Less net assets with donor restrictions	<u>537,955</u>	<u>706,386</u>
Total financial assets available for general expenditure	<u><u>\$ 2,110,826</u></u>	<u><u>\$ 1,682,003</u></u>

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 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Buildings	\$ 2,928,279	\$ 2,653,493
Vehicles	497,660	510,407
Equipment	<u>328,572</u>	<u>320,212</u>
	3,754,511	3,484,112
Less accumulated depreciation	<u>1,196,010</u>	<u>1,045,836</u>
Property and equipment, net	<u><u>\$ 2,558,501</u></u>	<u><u>\$ 2,438,276</u></u>

**NOTE 4 - LINE OF CREDIT**

The Organization obtained a \$500,000 line of credit from a bank to help finance its short-term capital needs. This line is collateralized by substantially all assets of the Organization. The interest rate on the line is subject to change from time to time based on changes in an index which is the reference rate set by the lender. The agreement matures November 2024 and interest is payable monthly on outstanding balances. As of February 29, 2024, the effective interest rate on the line of credit was 7.75%. There were no outstanding borrowings as of February 29, 2024 and February 28, 2023.

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

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following as of February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Bank		
Monthly installments of \$9,277, including interest at 4.73%, with a balloon payment due October 2046, secured by real estate.	\$ 1,693,297	\$ 1,739,304
Monthly installments of \$1,663, including interest at 3.50%, with a balloon payment due June 2025, secured by real estate.	<u>293,143</u>	<u>302,523</u>
	1,986,440	2,041,827
Less current maturities	<u>57,299</u>	<u>55,393</u>
Total long-term debt	<u><u>\$ 1,929,141</u></u>	<u><u>\$ 1,986,434</u></u>

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

2025	\$ 57,299
2026	332,988
2027	51,420
2028	53,382
2029	55,418
Thereafter	<u>1,435,933</u>
Total	<u><u>\$ 1,986,440</u></u>

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

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

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Purpose restrictions		
Child care programming	\$ 48,667	\$ 136,755
Workforce development	12,655	4,167
Homework starts at home	6,840	9,352
Economic empowerment	-	42,340
Eliminate poverty	49,554	31,162
Time restrictions	<u>420,239</u>	<u>482,610</u>
Total net assets with donor restrictions	<u><u>\$ 537,955</u></u>	<u><u>\$ 706,386</u></u>

Net assets released from restrictions consist of the following during the years ended February 29, 2024 and February 28, 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions		
Child care programming	\$ 88,088	\$ 27,078
Workforce development	4,167	-
Homework starts at home	2,512	2,831
Economic empowerment	42,340	-
Whole family	-	8,656
Eliminate poverty	31,162	-
Expiration of time restrictions	<u>289,038</u>	<u>290,268</u>
Total net assets released from donor restrictions	<u><u>\$ 457,307</u></u>	<u><u>\$ 328,833</u></u>

**NOTE 7 - RETIREMENT PLAN**

The Organization sponsors a voluntary 403(b) retirement plan that covers all employees. The Organization matches up to 2% of employee deferrals after one year of service with 1,000 hours. The Organization also contributes a base contribution amount equal to 5% of wages for each eligible participant after they complete one year of service with 1,000 hours. The employer contributions for 2024 and 2023 were \$320,388 and \$277,408, respectively.

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

**NOTE 8 - LEASES**

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

Lease costs for 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Finance lease costs	\$ 4,951	\$ 5,143
Operating lease costs	248,602	260,626
Short-term lease costs	<u>-</u>	<u>7,167</u>
Total lease costs	<u>\$ 253,553</u>	<u>\$ 272,936</u>

As of February 29, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease terms - operating leases	70 months	82 months
Weighted-average discount rates - operating leases	4.17%	4.44%
Weighted-average remaining lease terms - finance leases	21 months	33 months
Weighted-average discount rates - finance leases	4.43%	4.17%

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

	<u>Finance</u>	<u>Operating</u>
2025	\$ 4,856	\$ 248,463
2026	3,555	241,325
2027		232,195
2028	-	227,820
2029	-	227,820
Thereafter	<u>-</u>	<u>206,786</u>
Total lease payments	8,411	1,384,409
Less amounts representing interest	<u>314</u>	<u>152,347</u>
Present value of lease liabilities	<u>\$ 8,097</u>	<u>\$ 1,232,062</u>

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

**NOTE 9 - CONTINGENCIES**

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

**NOTE 10 - RELATED PARTY TRANSACTIONS**

A member of the Board of Directors has ownership in a childcare facility that provides services to families that received Early Learning Scholarships. The childcare also participates in the Parent Aware Quality rating program and can be eligible to receive grants that would help in providing quality childcare. Total amounts paid to this facility were \$155,186 and \$160,674, respectively, for the years ended February 29, 2024 and February 28, 2023.

## **SUPPLEMENTARY INFORMATION**

**Lakes & Prairies Community Action Partnership, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended February 29, 2024**

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	\$ 109,220
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	GRK%219909,GRK%183150	MDHS	152,876
Total SNAP Cluster				152,876
Total U.S. Department of Agriculture				262,096
U.S. Department of Housing and Urban Development				
CDBG-Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	N/A	City of Moorhead	5,000
Total CDBG-Entitlement Grants Cluster				5,000
Emergency Solutions Grant Program	14.231	GRK%200688,GRK%232998	MDHS	178,700
Continuum of Care Program	14.267		Direct	205,535
Total U.S. Department of Housing and Urban Development				389,235
U.S. Department of Treasury				
Volunteer Income Tax Assistance Matching Grant (VITA)	21.009	23VITA0181; 24VITA0020	Direct	25,388
COVID-19 Emergency Rental Assistance	21.023	ERAE0115	MN Housing Auth.	187,513
Total U.S. Department of Treasury				212,901
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	30,403
Total Aging Cluster				30,403
Refugee and Entrant Assistance State/Replacement				
Designee Administered Programs	93.566	219521	MDHS	182,231
Community Services Block Grant	93.569	GRK%197531,GRK%229596	MDHS	129,715
CCDF Cluster				
Child Care and Development Block Grant	93.575	196785	MDHS	2,003,562
Child Care and Development Block Grant	93.575	GRK%208787; 211073; 237230; 242843	MDHS	229,910
Child Care and Development Block Grant	93.575	300-12530	NDDHS	597,225
Total ALN 93.575 and CCDF Cluster				2,830,697
Head Start Cluster				
Head Start	93.600		Direct	3,096,811
COVID-19 Head Start	93.600		Direct	46,420
Total Head Start Cluster				3,143,231
Total U.S. Department of Health and Human Services				6,316,277
U.S. Department of Homeland Security:				
Emergency Food and Shelter National Board Program	97.024		Direct	900
Total expenditures of federal awards				\$ 7,181,409

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 29, 2024. 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.

**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.





**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 29, 2024, 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 October 22, 2024.

**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 have not been 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.

*BerganKOV, Ltd.*

St. Cloud, Minnesota  
October 22, 2024



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

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

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Compliance for Each Major Federal Program***

We have audited Lakes & Prairies Community Action Partnership, Inc.'s compliance with 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 29, 2024. 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 29, 2024.

#### ***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.

*Bergan KOV, Ltd.*

St. Cloud, Minnesota  
October 22, 2024

**Lakes & Prairies Community Action Partnership, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended February 29, 2024**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Programs**

Assistance Listing No.	21.023
Name of Federal Program or Cluster	Emergency Rental Assistance Program
Assistance Listing 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?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.