

Lakes & Prairies Community Action Partnership, Inc.

Financial Statements

February 28, 2022 and 2021



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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lakes & Prairies Community Action Partnership, Inc., which comprise the statements of financial position as of February 28, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the year's then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakes & Prairies Community Action Partnership, Inc. as of February 28, 2022 and 2021, 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 are 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 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 July 28, 2022, 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.

Bergankdv, LTD.

St. Cloud, Minnesota
July 28, 2022

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.
- 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 2022 and 2021. No allowance is deemed necessary due to the nature of the government grants.

Concentrations of Credit Risk

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 high credit quality financial institutions. At times, the Organization's cash and cash equivalents are in excess of the FDIC insurance limit.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (Continued)

The Organization is subject to a degree of vulnerability due to concentrations of grant receivables and revenue from major funding sources. As of February 28, 2022, three foundation grants accounted for approximately 50% of grant receivables. As of February 28, 2021, one foundation grant accounted for approximately 33% of grant receivables. The Organization received approximately 88% and 90% of its total funding sources from grants through federal and state agencies for 2022 and 2021, 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.

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

Long-Lived Assets

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the years ended February 28, 2022 and 2021.

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 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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of February 28, 2022 and 2021, conditional contributions of approximately \$8,918,455 and \$7,248,955, 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, 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.

In-Kind Contributions

In-kind contributions are valued at fair value on the date of the donation. These amounts are reported as both in-kind contributions and in-kind expense on the statement of activities or as an asset on the statement of financial position. 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.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Income Taxes

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 Issued Accounting Pronouncements

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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-of-use” 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, the 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 the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through July 28, 2022, 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:

	2022	2021
Cash and cash equivalents	\$ 1,004,916	\$ 864,075
Certificates of deposit	87,091	87,871
Grants receivable	1,443,952	1,094,374
Other receivable	28,604	7,274
Less net assets with donor restrictions	(749,962)	(618,876)
Total financial assets available for general expenditure	\$ 1,814,601	\$ 1,434,718

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

Grants receivable consists of the following as of February 28, 2022 and 2021:

	2022	2021
Federal		
Food Support Outreach	\$ 10,831	\$ 16,400
Head Start	168,580	104,706
CDBG - COVID-19	-	1,989
CSGB	26,010	2,291
CSBG - COVID-19	4,597	4,163
North Dakota STOP Grant	-	5,725
Clay Seniors	21,083	3,702
Affordable Care Act	12,359	12,999
HUD Permanent Supportive Housing	16,892	15,162
Refugee Resettlement	14,711	12,765
Emergency Solutions Grant	11,508	10,365
Emergency Solutions Grant - CV1 and CV2	46,377	8,502
Minnesota Child Care Aware	640	57,194
CHAP	23,068	48,073
VITA	6,221	-
Total Federal	362,877	304,036

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

NOTE 3 – GRANTS RECEIVABLE (CONTINUED)

	<u>2022</u>	<u>2021</u>
State of Minnesota		
CAG	2,622	17,325
HECAT	2,018	8,623
Transitional Housing	1,818	5,581
Head Start	43,082	42,086
Evidence Based Home Visiting	51,061	13,521
Homeless Youth Act	22,199	17,052
Housing Support Adults w/Serious Mental Illness	33,295	59,913
Live Well at Home	-	24,719
DHS Community Living Outreach	3,054	15,244
Homework Starts at Home	-	747
MN Dept of Revenue	12,567	2,772
DHS LT Homeless Supp Serv	16,203	18,070
Pathways II	53,726	39,566
Early Learning Scholarship	41,516	26,968
DEED - Career Connect	64	-
Housing Support Adults w/Serious Mental Illness - Collab	17,810	-
Family Homeless Prevention and Assistance	34,829	-
Total State of Minnesota	<u>335,864</u>	<u>292,187</u>
State of North Dakota		
Rainbow Bridge Visitation Center	-	10,636
Local/Foundation	<u>745,211</u>	<u>487,515</u>
Total grants receivable	<u>\$ 1,443,952</u>	<u>\$ 1,094,374</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of February 28, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 2,558,764	\$ 1,048,764
Vehicles	510,407	460,725
Equipment	454,277	474,556
	<u>3,523,448</u>	<u>1,984,045</u>
Less accumulated depreciation	<u>(957,041)</u>	<u>(783,057)</u>
Property and equipment, net	<u>\$ 2,566,407</u>	<u>\$ 1,200,988</u>

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

NOTE 5 – REFUNDABLE ADVANCES

Refundable advances consist of the following as of February 28, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Federal		
Coronavirus Relief Funding	\$ 49,397	\$ 6,294
MN Child Care Aware	150,517	-
Total federal	<u>199,914</u>	<u>6,294</u>
State of Minnesota		
Homework Starts at Home	162,529	117,057
Clay-Wilkin CWHAPP	-	17,020
Child Care Aware	40,980	392
Total State of Minnesota	<u>203,509</u>	<u>134,469</u>
Total refundable advances	<u>\$ 403,423</u>	<u>\$ 140,763</u>

NOTE 6 – LINE OF CREDIT

The Organization obtained an \$80,000 line of credit from a bank to help finance its short-term capital needs. This line is collateralized by substantially all assets of the Organization. The interest rate 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 2022 and interest is payable monthly on outstanding balances. As of February 28, 2022, the effective interest rate on the line of credit was 3.25%. There were no outstanding borrowings as of February 28, 2022 and 2021.

NOTE 7 – LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Bank		
Monthly installments of \$9,277, including interest at 4.73%, with a balloon payment due October 2026, secured by real estate	\$ 1,783,598	\$ 399,166
Monthly installments of \$1,663, including interest at 3.50%, with a balloon payment due June 2025, secured by real estate	<u>311,575</u>	<u>316,498</u>
	2,095,173	715,664
Less current maturities	<u>(53,096)</u>	<u>(27,207)</u>
Total long-term debt	<u>\$ 2,042,077</u>	<u>\$ 688,457</u>

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

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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

2023	\$ 53,096
2024	55,311
2025	57,396
2026	333,032
2027	51,420
Thereafter	<u>1,544,918</u>
Total	<u><u>\$ 2,095,173</u></u>

In connection with the line of credit and bank debt agreements, the Organization has agreed to certain restrictive covenants. For both 2022 and 2021, the Organization violated one of these covenants; however, that violation has been waived by the lender.

NOTE 8 – DONOR RESTRICTED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Purpose restrictions		
Child care programming	\$ 27,078	\$ 158,887
Workforce development	77,671	14,895
Economic empowerment	-	49,131
Homework starts at home	12,183	36,101
Head start summer school	-	1,737
Whole family	91,989	-
Time restrictions	<u>541,041</u>	<u>358,125</u>
Total net assets with donor restrictions	<u><u>\$ 749,962</u></u>	<u><u>\$ 618,876</u></u>

Net assets released from restrictions consist of the following during the years ended February 28:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Child care programming	\$ 131,809	\$ 131,897
Workforce development	37,224	-
Economic empowerment	49,131	82,778
Homework starts at home	23,918	31,984
Head start summer school	1,737	2,054
Supportive housing	-	281
Paint it forward	-	1,450
Whole family	8,011	-
Expiration of time restrictions	<u>217,084</u>	<u>195,974</u>
Total net assets released from donor restrictions	<u><u>\$ 468,914</u></u>	<u><u>\$ 446,418</u></u>

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

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 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 2022 and 2021 were \$264,824 and \$254,406, respectively.

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 \$264,303 and \$298,358 for 2022 and 2021, respectively.

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

2023	\$ 192,630
2024	192,630
2025	192,630
2026	<u>11,976</u>
Total minimum future lease payments	<u><u>\$ 589,866</u></u>

NOTE 11 – 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.

SUPPLEMENTARY INFORMATION

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Lakes & Prairies Community Action Partnership, Inc. under programs of the federal government for the year ended February 28, 2022. 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 28, 2022, and the related statements of activities, functional expenses and cash flows for the year ended February 28, 2022, and the related notes to financial statements, and have issued our report thereon dated July 28, 2022.

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) 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 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 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.

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

BergankDV, LTD.

St. Cloud, Minnesota
July 28, 2022

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 described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lakes & Prairies Community Action Partnership, Inc.'s major federal programs for the year ended February 28, 2022.

In our opinion, Lakes & Prairies Community Action Partnership, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended February 28, 2022.

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.

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.

Bergankdv, LTD.

St. Cloud, Minnesota
July 28, 2022

Lakes & Prairies Community Action Partnership, Inc.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2022

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
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.