

Lakes and Pines Community Action Council, Inc.

Financial Statements

September 30, 2021 and 2020



Lakes and Pines Community Action Council, Inc.
Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	20
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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	25

Independent Auditor's Report

Board of Directors
Lakes and Pines Community Action Council, Inc.
Mora, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Lakes and Pines Community Action Council, Inc. which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lakes and Pines Community Action Council, Inc., as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1 to the financial statements, Lakes and Pines Community Action Council, Inc. adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2022, on our consideration of Lakes and Pines Community Action Council, 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 to solely 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 and Pines Community Action Council, 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 and Pines Community Action Council, Inc.'s internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
February 14, 2022

Lakes and Pines Community Action Council, Inc.
Statements of Financial Position
As of September 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 938,983	\$ 552,353
Restricted cash	256,632	205,733
Certificates of deposit	647,083	637,252
Accounts receivable	92,046	125,567
Grants receivable	1,106,900	1,375,009
Prepaid expenses	29,592	101,052
Weatherization inventory	62,730	53,410
Total current assets	3,133,966	3,050,376
Property and equipment, net	404,533	454,803
Total assets	\$ 3,538,499	\$ 3,505,179
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 365,040	\$ 143,913
Due to other agency	2,920	3,293
Accrued payroll and related taxes and benefits	183,723	178,668
Accrued vacation	170,271	169,054
Accrued unemployment insurance	86,134	38,709
Deferred revenue	-	98,890
Refundable advances	372,611	626,201
Total current liabilities	1,180,699	1,258,728
Net Assets		
Without donor restrictions		
Undesignated	2,034,435	1,980,392
Designated by the Board	124,625	103,457
With donor restrictions	198,740	162,602
Total net assets	2,357,800	2,246,451
Total liabilities and net assets	\$ 3,538,499	\$ 3,505,179

Lakes and Pines Community Action Council, Inc.
Statement of Activities
Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Grants and contributions	\$ 10,898,976	\$ 137,524	\$ 11,036,500
Program support	683,672	-	683,672
Interest income	10,394	-	10,394
Gain on sale of property and equipment	175	-	175
Net assets released from restrictions	101,386	(101,386)	-
Total revenues	<u>11,694,603</u>	<u>36,138</u>	<u>11,730,741</u>
Expenses			
Program services			
Community services	4,012,443	-	4,012,443
Early childhood and family development	3,272,076	-	3,272,076
Weatherization	1,025,109	-	1,025,109
Energy assistance	805,431	-	805,431
Housing rehabilitation	1,067,905	-	1,067,905
Other program services	319,283	-	319,283
Management and general	1,117,145	-	1,117,145
Total expenses	<u>11,619,392</u>	<u>-</u>	<u>11,619,392</u>
Change in net assets	75,211	36,138	111,349
Net Assets			
Beginning of year	<u>2,083,849</u>	<u>162,602</u>	<u>2,246,451</u>
End of year	<u>\$ 2,159,060</u>	<u>\$ 198,740</u>	<u>\$ 2,357,800</u>

Lakes and Pines Community Action Council, Inc.
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 9,220,660	\$ 267,774	\$ 9,488,434
Program support	458,212	-	458,212
Interest income	10,738	-	10,738
Net assets released from restrictions	105,172	(105,172)	-
Total revenues	9,794,782	162,602	9,957,384
Expenses			
Program services			
Community services	2,159,623	-	2,159,623
Early childhood and family development	3,313,676	-	3,313,676
Weatherization	883,351	-	883,351
Energy assistance	1,407,126	-	1,407,126
Housing rehabilitation	684,972	-	684,972
Other program services	323,208	-	323,208
Management and general	1,221,893	-	1,221,893
Total expenses	9,993,849	-	9,993,849
Change in net assets	(199,067)	162,602	(36,465)
Net Assets			
Beginning of year	2,282,916	-	2,282,916
End of year	\$ 2,083,849	\$ 162,602	\$ 2,246,451

Lakes and Pines Community Action Council, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services						Total	Management and General	Total
	Community Services	Early Childhood and Family Development	Weatherization	Energy Assistance	Housing Rehabilitation	Other Program Services			
Expenses									
Wages and fringe benefits	\$ 1,372,439	\$ 2,425,442	\$ 609,300	\$ 688,501	\$ 105,482	\$ 11,413	\$ 5,212,577	\$ 927,444	\$ 6,140,021
Professional services	36,904	6,669	2,555	1,306	2,663	1,013	51,110	7,860	58,970
Contractual services	64,990	236,300	955	101	-	-	302,346	13,149	315,495
Vehicle expenses and travel	22,872	112,825	42,926	877	2,707	77	182,284	5,301	187,585
Training	3,770	52,798	695	2,031	-	-	59,294	11,916	71,210
Supplies and copy costs	87,781	103,311	13,968	81,696	788	2,320	289,864	50,987	340,851
Insurance	8,647	28,936	17,019	9,806	1,133	66	65,607	746	66,353
Office rent, utilities, and space costs	51,489	140,644	38,602	475	-	1,268	232,478	34,082	266,560
Dues and subscriptions	1,988	14,440	45	-	-	-	16,473	20,634	37,107
Communication, postage and telephone	25,365	58,078	4,244	13,757	1,809	-	103,253	18,152	121,405
Printed forms and advertising	1,100	52,938	23,693	6,881	1,163	-	85,775	21,617	107,392
Direct client support	2,335,098	39,695	271,107	-	952,160	188,605	3,786,665	5,257	3,791,922
Depreciation	-	-	-	-	-	114,521	114,521	-	114,521
Total expenses	\$ 4,012,443	\$ 3,272,076	\$ 1,025,109	\$ 805,431	\$ 1,067,905	\$ 319,283	\$ 10,502,247	\$ 1,117,145	\$ 11,619,392

Lakes and Pines Community Action Council, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services						Total	Management and General	Total
	Community Services	Early Childhood and Family Development	Weatherization	Energy Assistance	Housing Rehabilitation	Other Program Services			
Expenses									
Wages and fringe benefits	\$ 1,004,801	\$ 2,265,073	\$ 582,596	\$ 542,839	\$ 124,318	\$ 110,448	\$ 4,630,075	\$ 1,015,331	\$ 5,645,406
Professional services	19,022	7,253	2,544	1,787	2,272	741	33,619	7,999	41,618
Contractual services	47,493	411,813	-	-	-	-	459,306	27,354	486,660
Vehicle expenses and travel	29,779	107,067	28,726	2,562	6,497	1,149	175,780	14,040	189,820
Training	4,519	40,136	2,357	1,448	799	-	49,259	23,058	72,317
Supplies and copy costs	32,006	195,839	9,066	29,079	915	6,547	273,452	50,864	324,316
Insurance	2,279	15,561	17,104	5,831	668	11,875	53,318	2,561	55,879
Office rent, utilities, and space costs	28,005	131,630	35,704	2,147	-	17,615	215,101	28,895	243,996
Dues and subscriptions	900	21,516	80	300	-	-	22,796	23,045	45,841
Communication, postage and telephone	15,301	51,724	2,899	10,047	1,847	20	81,838	20,146	101,984
Printed forms and advertising	1,128	32,269	8,581	11,658	-	475	54,111	8,547	62,658
Direct client support	974,390	33,795	193,694	799,428	547,656	62,672	2,611,635	53	2,611,688
Depreciation	-	-	-	-	-	111,666	111,666	-	111,666
Total expenses	\$ 2,159,623	\$ 3,313,676	\$ 883,351	\$ 1,407,126	\$ 684,972	\$ 323,208	\$ 8,771,956	\$ 1,221,893	\$ 9,993,849

Lakes and Pines Community Action Council, Inc.
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows - Operating Activities		
Change in net assets	\$ 111,349	\$ (36,465)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	114,521	111,666
Gain on sale of property and equipment	(175)	-
Change in operating assets and liabilities		
Interest receivable	-	502
Accounts receivable	33,521	17,787
Grants receivable	268,109	(608,758)
Prepaid expenses	71,460	17,954
Weatherization inventory	(9,320)	8,856
Accounts payable	221,127	(199,153)
Due to other agency	(373)	-
Accrued payroll and related taxes and benefits	5,055	(85,735)
Accrued vacation	1,217	42,282
Accrued unemployment insurance	47,425	10,050
Deferred revenue	(98,890)	28,779
Refundable advances	(253,590)	152,341
Total adjustments	<u>400,087</u>	<u>(503,429)</u>
Net cash flows - operating activities	<u>511,436</u>	<u>(539,894)</u>
 Cash Flows - Investing Activities		
Reinvested earnings and purchases of certificates of deposit	(9,831)	(10,704)
Proceeds from sale of property and equipment	175	-
Purchases of property and equipment	(64,251)	(37,849)
Net cash flows - investing activities	<u>(73,907)</u>	<u>(48,553)</u>
 Net change in cash and cash equivalents and restricted cash	437,529	(588,447)
 Cash and Cash Equivalents and Restricted Cash		
Beginning of year	<u>758,086</u>	<u>1,346,533</u>
 End of year	<u>\$ 1,195,615</u>	<u>\$ 758,086</u>
 Reconciliation to Statements of Financial Position		
Cash and cash equivalents	\$ 938,983	\$ 552,353
Restricted cash	<u>256,632</u>	<u>205,733</u>
 Total cash and cash equivalents and restricted cash	<u>\$ 1,195,615</u>	<u>\$ 758,086</u>

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Lakes and Pines Community Action Council, Inc. (the Council) is a nonprofit community action agency incorporated under the provisions of the Minnesota Nonprofit Corporations Act, *Minnesota Statutes*. The mission of the Council is to build prosperous communities by serving local families and individuals in their pursuit of self-reliance. The Council is a private, non-profit corporation that offers a variety of programs to assist low-income families and individuals of seven county areas. Using income guidelines along with other criteria, the Council provides assistance to eligible residents of Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties of Minnesota. The Board of Directors consists of representatives of the public sector, private sector, and persons representing low-income individuals and families in their local community.

Accounting Estimates

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

Self-Insured Unemployment Insurance

Provisions for a reserve under a self-insured program for unemployment compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made must not exceed the present value of the liability. The Council charged Federal and non-Federal programs for unemployment compensation based on estimates from prior years and projected salary expenses. In March 2020, due to the COVID-19 pandemic, the State of Minnesota Department of Employment and Economic Development (the State) suspended quarterly unemployment billings for reimbursing entities. In October 2020, the State provided written communication to the Council detailing three provisions of the CARES Act that may reduce charges to the Council's account. In April 2021, the State provided written notification that adjustments were made to the Council's account. The written notification also indicated the State would analyze the Council's account to determine if additional financial relief would be available under state law, that quarterly billing will remain suspended while making adjustment to the Council's account and when the work is complete, the Council would be notified a couple months ahead of time before billing resumes.

The Council has not received final written notification from the State regarding the completion of their review, which charges were relieved, and which remain, or that the quarterly billing will resume. The Council's unemployment account at the State currently reflects a decrease of approximately \$80,000, indicating that the State has adjusted the unemployment claims the Council incurred for the period between 2nd Quarter 2020 and 3rd Quarter 2021. Since no formal final communication has been received, and based upon subsequent transactions to the Council's account, it appears the State is still in the processes of reviewing all claims and credits, thus leaving open the possibility of adjustments to the amounts owed by the Council for unemployment claims from 2020 and 2021. Once the State has completed their review and provided final written notification, the unemployment liability account balance will be reviewed and adjusted accordingly.

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Restricted cash represents the Council's estimated cash balance for eligible unemployment insurance claims held with a grantor trust. The Council also maintains restricted cash for the self-insured employee dental plan.

Certificates of Deposit

Certificates of deposit have original maturities greater than three months and are recorded at cost plus accrued interest.

Accounts Receivable

Accounts receivable are the result of the Council extending unsecured credit to the users of the Council's programs through contracts rather than grant agreements. Management reviews the current status of the receivables and currently expenses all accounts which are determined to be uncollectible, accordingly, no allowance for doubtful accounts was deemed necessary as of September 30, 2021 and 2020. Accounts receivable are considered delinquent after 30 days and the Council does not accrue interest on delinquent receivables.

Grants Receivable

Grants receivable are amounts outstanding under government reimbursement grant agreements. The Council recognizes revenue from agreements on a cost-reimbursement basis. No allowance is deemed necessary due to the nature of the government grants.

Concentrations of Credit Risk

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

The Council is subject to a degree of vulnerability due to concentrations of revenue from major funding sources. During 2021, 24% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2021, 16% of the Council's revenue was from the Energy Assistance and Weatherization Programs funded through the U.S. Department of Health and Human Services and the U.S. Department of Energy.

During 2020, 31% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2020, 25% of the Council's revenue was from the Energy Assistance and Weatherization Programs funded through the U.S. Department of Health and Human Services and the U.S. Department of Energy.

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Weatherization Inventory

Inventory is valued at the lower of cost based on first-in, first-out (FIFO) method or net realizable value. Inventory consists of materials and supplies used for the weatherization program.

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 Council follows the policy of capitalizing all property and equipment expenditures over \$5,000.

The funding sources have a reversionary interest in the equipment purchased with grant funds. Dispositions and ownership of any proceeds are subject to funding source regulations.

Long-Lived Assets

The Council 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 September 30, 2021 and 2020.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various purposes.

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

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of September 30, 2021 and 2020, conditional contributions of \$10,134,283 and \$8,306,729, respectively, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Program support includes revenue for administration of loans and contract management, housing support supplemental services, and reimbursements for client expenses and contractor payments for housing programs. These services are provided in exchange for fees that have been contractually established. Amounts earned are recorded as revenue monthly and payments are typically received within 30 days after billing. Revenue is recognized overtime as the services are provided as the customer is simultaneously receiving and consuming the benefits of the service.

In-Kind Contributions

In-kind contributions are reflected as contributions valued at fair value on date of donation. A similar amount is included in expenses on the statement of activities. Contributions of services are recognized if the services received (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 nonprofessional volunteers have donated significant amounts of their time in the Council's Early Childhood and Family Development Program, specifically the Head Start Program. However, no amounts have been reflected in the statements for donated services as they do not meet the criteria for recognition as contributions.

Advertising Costs

The Council's policy is to expense advertising costs as they are incurred. During 2021 and 2020, the Council incurred advertising costs totaling \$107,392 and \$62,658, respectively.

Tax Status

The Council 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.

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense and Cost Allocation

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expense presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort.

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on estimates by management.

The Council follows a cost allocation plan to allocate costs not directly attributable to specific programs. This cost allocation plan outlines the type of costs as well as the process for allocating the direct and joint expenses. Significant joint cost allocation methods include:

- Administration – Based on the actual number of transactions by fund (grants) and based on the actual payroll distribution by fund (employees).
- Common Area and Custodial Pools – Based on the actual payroll distribution by fund and square footage of occupancy.
- Human Resources – Based on the actual payroll distribution by fund.
- Fiscal Services – Based on actual number of transactions by fund.
- Technology Services – Based on the actual number of computers and phones held by fund.

Recently Adopted Accounting Pronouncement

On October 1, 2020, the Council adopted FASB ASU No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*, which provides guidance from revenue recognition that superseded the revenue recognition requirements in ASC Topic 605, *Revenue Recognition* and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. The Council adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after October 1, 2020, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The impact of the adoption of the new standard was insignificant to the financial statements.

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Contributed Nonfinancial Assets

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

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, 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 either the retrospective approach or modified retrospective approach. The Council is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events

The Council has evaluated subsequent events through February 14, 2022, the date which the financial statements were available to be issued

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash and cash equivalents	\$ 938,983	\$ 552,353
Certificates of deposit	647,083	637,252
Accounts receivable	92,046	125,567
Grants receivable	1,106,900	1,375,009
Less net assets designated by the Board	(124,625)	(103,457)
Less net assets with donor restrictions	(198,740)	(162,602)
Total financial assets available for general expenditures	\$ 2,461,647	\$ 2,424,122

The Council 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 Council invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. Although the Council does not intend to spend from the board designated net assets, these amounts could be made available if necessary.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2021 and 2020:

	2021	2020
Land	\$ 60,818	\$ 60,818
Buildings and improvements	866,273	802,023
Vehicles and equipment	929,131	981,436
	1,856,222	1,844,277
Less accumulated depreciation	(1,451,689)	(1,389,474)
Property and equipment, net	\$ 404,533	\$ 454,803

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 4 – NET ASSETS DESIGNATED BY THE BOARD

Net assets designated by the Board consists of the following as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Designated for		
Pine county financial education project	\$ 245	\$ 245
Contracted services	7,001	2,121
Head Start transportation	126	126
Head Start	15,219	13,478
Caring members (East Central Energy)	30,712	22,908
Emergency services	28,343	25,968
Advance health care directive fund	-	25
Delivery donation fund	296	296
Transportation assistance	721	721
Reading is fundamental (RIF)	2,941	2,941
EAP refunds/income fund	15,011	14,161
Reach out for warmth	13,943	8,150
Inspection services	10,067	12,317
	<u> </u>	<u> </u>
Total net assets designated by the Board	<u>\$ 124,625</u>	<u>\$ 103,457</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
CIP	\$ 152,997	\$ 112,070
Early child and family development	-	36,958
Community services	36,166	13,574
Housing rehabilitation	9,577	-
	<u> </u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 198,740</u>	<u>\$ 162,602</u>
	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
CIP	\$ 58,355	\$ 38,570
Early child and family development	36,958	48,543
Community services	4,132	18,059
Housing rehabilitation	1,941	-
	<u> </u>	<u> </u>
Total net assets released from restrictions	<u>\$ 101,386</u>	<u>\$ 105,172</u>

Lakes and Pines Community Action Council, Inc.
Notes to Financial Statements

NOTE 6 – RETIREMENT PLAN

As of January 1, 2020, the Council sponsors a 401(k) retirement plan. The plan covers substantially all full-time employees. Prior to January 1, 2020, the Council sponsored a 403(b) retirement plan. Contributions to the plans amounted to \$123,520 and \$112,306 for 2021 and 2020, respectively.

NOTE 7 – OPERATING LEASES

The Council leases certain office and warehouse facilities under operating leases, the last of which expires June 2023. Total lease expense for 2021 and 2020 was \$185,690 and \$172,978, respectively.

Minimum future rental payments under noncancelable operating leases having initial or remaining terms in excess of one year as of September 30 in the aggregate are as follows the years ended September 30:

2022	151,050
2023	<u>43,200</u>
Total minimum future rental payments	<u><u>\$ 194,250</u></u>

NOTE 8 – CONTINGENCIES

Grants

Federal and state program activities are subject to financial and compliance regulation. To the extent that any expenditures are disallowed, a liability to the respective federal or state agency could result.

Claims

The Council is subject to claims arising in the normal course of business. While it is not feasible to determine the outcomes of any of these claims, it is the opinion of management that their outcomes will not have a material effect on the financial position or activities of the Council.

Employee Dental Plan

The Council maintains a self-insured employee dental plan which insures covered employees and their families for approved claims. The Council is liable for those claims up to the Plan's limit of \$1,500 per enrolled employee and each eligible family member.

State Unemployment

The Council has elected out of Minnesota state unemployment insurance and participates in a grantor trust to cover unemployment insurance claims. Restricted cash represents the Council's estimated cash balance at September 30, 2021 and 2020, for eligible unemployment insurance claims. If claims exceed payments into the trust the Council could become liable for those claims.

NOTE 9 – RECLASSIFICATIONS

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

Lakes & Pines Community Action Council, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantors/Pass-Through Grantor/Program or Cluster Title/Project Name	Assistance Listing Number	Pass - Through Entity Identification Number	Federal Expenditures
U. S. Department of Agriculture			
Pass-through from Minnesota Department of Human Services			
Supplemental Nutrition Assistance Program Employment and Training	10.537	GRK%133440	\$ 49,935
Pass-through from Minnesota Department of Education			
Child and Adult Care Food Program	10.558	2MN300061	23,154
Pass-through from Minnesota Department of Human Services			
SNAP Cluster			
Supplemental Nutrition Assistance Program Outreach	10.561	GRK%162932	116,083
Total SNAP Cluster			<u>116,083</u>
Total U. S. Department of Agriculture			<u>189,172</u>
U. S. Department of Housing and Urban Development			
Pass-through from MN Department of Employment and Economic Development			
Community Development Block Grants			
County of Mille Lacs Small Cities Development Program	14.228	CDAP-19-0054-O-FY20	4,836
City of Hinkley Small Cities Development Program	14.228	CDAP-19-0054-O-FY20	11,870
City of Sandstone Small Cities Development Program	14.228	CDAP-16-0057-O-FY17	2,803
Pine City Small Cities Development Program	14.228	CDAP-18-0070-O-FY19	27,957
Total Small Cities Development Program			<u>47,466</u>
Direct			
Continuum of Care Program			
HUD Rapid Rehousing 12/19-11/20	14.267		15,294
HUD RRH COC 12/20-11/21	14.267		96,331
HUD DV 12/19-11/20	14.267		29,402
HUD DV 12/20-11/21	14.267		138,135
HUD Navigator 08/20-07/21	14.267		58,755
HUD Navigator 08/21-07/22	14.267		15,769
Total Continuum of Care Program			<u>353,686</u>
Total U. S. Department of Housing and Urban Development			<u>401,152</u>
U. S. Department of Internal Revenue Service			
Direct			
Volunteer Income Tax Assistance	21.009		<u>20,000</u>
Pass-through from Isanti County			
Coronavirus Relief Fund			
COVID-19 Isanti County Cares Act	21.019	N/A	93,712
Pass-through from Pine County			
Coronavirus Relief Fund			
COVID-19 Pine County Cares Act	21.019	N/A	18,734
Pass-through from MN Housing Finance Agency			
Coronavirus Relief Fund			
COVID-19 Housing Assistance Program	21.019	N/A	1,438,053
Pass-through from MN Department of Human Services & Hunger Solutions			
Coronavirus Relief Fund			
COVID-19 MN COVID Food Fund	21.019	N/A	12,150
Total Coronavirus Relief Fund			<u>1,562,649</u>
Pass-through from MN Housing Finance Agency			
COVID-19 Emergency Rental Assistance Program	21.023	N/A	76,095
Total U.S. Department of Internal Revenue Service			<u>1,658,744</u>

Lakes & Pines Community Action Council, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantors/Pass-Through Grantor/Program or Cluster Title/Project Name	Assistance Listing Number	Pass - Through Entity Identification Number	Federal Expenditures
U. S. Department of Energy			
Pass-Through from Minnesota Department of Commerce			
Weatherization Assistance for Low-Income Person:			
DOE Weatherization 19/20	81.042	DE-EE0007928	338,179
DOE Weatherization 20/21	81.042	DE-EE0007928	<u>28,460</u>
Total Weatherization Assistance for Low-Income Person:			<u>366,639</u>
Total U. S. Department of Energy			<u>366,639</u>
U. S. Department of Health And Human Services			
Pass-Through from Central MN Council & Aging			
National Family Caregiver Support			
Title III E - Adult Respite 2020	93.052	315-20-003E-012	\$ 3,495
Title III E - Adult Respite 2021	93.052	315-21-003E-012	<u>6,019</u>
Total National Family Caregiver Support			<u>9,514</u>
Pass-Through from Minnesota Department of Commerce			
Low-Income Home Energy Assistance			
EAP/WX A2111 Carryover	93.568	20B1MNLIEA	605,907
EAP/WX A2113 Carryover	93.568	2102MNLIEA	29,341
COVID-19 EAP/WX A2114	93.568	2102MNE5C6	98
EAP 2020	93.568	1563	859,421
EAP - Direct Payments from State	93.568	N/A	<u>6,241,865</u>
Total Low-Income Home Energy Assistance			<u>7,736,632</u>
Pass-Through from Minnesota Department of Health and Human Services			
Community Services Block Grant			
CSBG 2020-2021	93.569	160081	262,030
CSBG Discretionary	93.569	177270	21,328
COVID-19 CSBG	93.569	177898	<u>301,199</u>
Total Community Services Block Grant			<u>584,557</u>
Direct			
Head Start Cluster			
Head Start FY21 (Early and Head Start)	93.600		2,185,759
Head Start FY22 (Early and Head Start)	93.600		436,872
Tri County Community Action Partnership FY2021	93.600		23,624
Tri County Community Action Partnership FY2022	93.600		3,922
COVID-19 Head Start FY21	93.600		195,651
COVID-19 CRRSA (Coronavirus Response & Relief Supplemental)	93.600		<u>10,894</u>
Total Head Start Cluster			<u>2,856,722</u>
Total U. S. Department of Health and Human Services			<u>11,187,425</u>
Total Expenditures of Federal Awards			<u>\$ 13,803,132</u>

Lakes and Pines Community Action Council, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lakes and Pines Community Action Council, Inc. under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lakes and Pines Community Action Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which conforms 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 and Pines Community Action Council, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – ENERGY ASSISTANCE PAYMENTS

The Council assists the State of Minnesota with eligibility determinations for the LIHEAP program. Client benefits for LIHEAP eligible participants are subsequently paid directly by the State of Minnesota. For the year ended September 30, 2021, client benefits are in the amount of \$6,241,865, were paid by the state. These amounts are considered federal awards to the Council and are included in the schedule of expenditures of federal awards but are not included in the statement of activities.

NOTE 5 – 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 and Pines Community Action Council, Inc.
Mora, 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 and Pines Community Action Council, Inc., which comprise the statement of financial position as of September 30, 2021, 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 February 14, 2022.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 Council'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
February 14, 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 and Pines Community Action Council, Inc.
Mora, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Lakes and Pines Community Action Council, 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 and Pines Community Action Council, Inc.'s major federal programs for the year ended September 30, 2021. Lakes and Pines Community Action Council, Inc.'s major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of Lakes and Pines Community Action Council, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lakes and Pines Community Action Council, Inc. complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

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

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

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

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
February 14, 2022

Lakes and Pines Community Action Council, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of Major Federal Programs

Assistance Listing No.	21.019
Name of Federal Program or Cluster	Coronavirus Relief Fund
Assistance Listing No.	93.568
Name of Federal Program or Cluster	Low-Income Home Energy 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

Lakes and Pines Community Action Council, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.