

Lakes and Pines Community Action Council, Inc.

Financial Statements

September 30, 2023 and 2022



Lakes and Pines Community Action Council, Inc.
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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 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.

Cash Equivalents

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

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value.

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

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

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations (Continued)

The Council is subject to a degree of vulnerability due to concentrations of revenue from major funding sources. During 2023, 27% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2023, 26% 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. The Head Start Program represented approximately 48% of grants receivable as of September 30, 2023. The Energy Assistance and Weatherization Programs represented approximately 28% of grants receivable as of September 30, 2023.

During 2022, 30% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2022, 23% 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. The Head Start Program represented approximately 32% of grants receivable as of September 30, 2022. The Energy Assistance and Weatherization Programs represented approximately 24% of grants receivable as of September 30, 2022.

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 and with estimated useful lives in excess of one year.

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, 2023 and 2022.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Effective October 1, 2022, the Council classifies leases as either operating or finance leases at the commencement date of the lease. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

The Council recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Council does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Council are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Council has elected the practical expedient that allows for private companies to utilize the risk-free rate based on asset class.

Prior to October 1, 2022, the Council accounted for its leases as either operating or capital leases. Assets and liabilities for operating leases were not recorded and rent expense was recorded within operations on a straight-line basis over the term of the lease.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or 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 Recognition

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give 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, 2023 and 2022, conditional contributions of approximately \$6,948,400 and \$7,313,000, 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. Revenue is recognized over time as the services are provided as the customer is simultaneously receiving and consuming the benefits of the service. Payments are typically received within 30 days after monthly billing.

Accounts receivable was \$92,046 as of October 1, 2021.

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 2023 and 2022, the Council incurred advertising costs totaling \$52,398 and \$72,806, 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 expenses presents the natural classification detail of expenses by function.

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 the following pools:

- 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 – 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

Effective October 1, 2022, the Council adopted the new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, utilizing the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption. The Council has elected the package of practical expedients permitted in Topic 842. Accordingly, the Agency did not reassess at adoption (a) whether the contract contains a lease under Topic 842, (b) whether classification of the lease would be different in accordance with Topic 842, or (c) initial direct costs for existing leases. The Council also elected the practical expedients (1) to discount the lease liability using the risk-free rate, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components. As a result of the adoption of the new lease accounting standard, the Council's statement of financial position was materially impacted by the recognition of its ROU assets totaling \$200,982 and lease liabilities of \$201,309 as of September 30, 2023. There was no significant impact on the statements of activities, functional expenses, or cash flows as a result of the adoption.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the guidance on the impairment of financial instruments and adds an impairment model, known as the current expected credit losses model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses over the contractual life of a financial asset. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which defers the effective date to annual reporting periods beginning after December 15, 2022, with early adoption permitted. The provisions of this ASU are to be applied using the 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 May 14, 2024, the date which the financial statements were available to be issued.

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 as of September 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 917,827	\$ 789,465
Certificates of deposit	658,212	651,634
Accounts receivable	14,332	33,159
Grants receivable	1,371,235	1,343,107
Total financial assets	2,961,606	2,817,365
Less net assets designated by the Board	94,963	105,829
Less net assets with donor restrictions	223,323	268,484
Total financial assets available for general expenditures	\$ 2,643,320	\$ 2,443,052

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.

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

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 60,818	\$ 60,818
Buildings and improvements	884,148	866,273
Vehicles and equipment	<u>1,123,492</u>	<u>997,782</u>
	2,068,458	1,924,873
Less accumulated depreciation	<u>1,680,978</u>	<u>1,569,771</u>
Property and equipment, net	<u><u>\$ 387,480</u></u>	<u><u>\$ 355,102</u></u>

NOTE 4 – NET ASSETS DESIGNATED BY THE BOARD

Net assets designated by the Board consists of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Designated for		
Pine County financial education project	\$ 245	\$ 245
Contracted services	10,001	7,001
Head Start transportation	126	126
Head Start	15,399	15,430
Caring members (East Central Energy)	36,439	22,335
Emergency services	12,643	31,871
Delivery donation fund	296	296
Transportation assistance	721	721
Reading is fundamental (RIF)	2,941	2,941
EAP refunds/income fund	-	8,269
Reach out for warmth	6,085	6,527
Inspection services	<u>10,067</u>	<u>10,067</u>
Total net assets designated by the Board	<u><u>\$ 94,963</u></u>	<u><u>\$ 105,829</u></u>

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

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Conservation improvement plan (CIP)	\$ 48,262	\$ 85,839
Community services	152,995	82,981
Transformative coaching model	<u>22,066</u>	<u>99,664</u>
 Total net assets with donor restrictions	 <u>\$ 223,323</u>	 <u>\$ 268,484</u>

Net assets released from restrictions are as follows for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Conservation improvement plan (CIP)	\$ 85,526	\$ 139,380
Community services	69,395	61,885
Transformative coaching model	77,598	336
Housing rehabilitation	<u>-</u>	<u>9,577</u>
 Total net assets released from restrictions	 <u>\$ 232,519</u>	 <u>\$ 211,178</u>

NOTE 6 – RETIREMENT PLAN

The Council sponsors a 401(k) retirement plan that covers substantially all full-time employees. Under the plan, the Council contributes 100% match, up to 5% of each covered employee's wages. Contributions to the plan amounted to \$118,388 and \$124,394 for 2023 and 2022, respectively.

NOTE 7 – OPERATING LEASES

The Council has operating leases for certain space with remaining lease terms of one to two years. Payments under these lease agreements are all fixed.

Lease costs for the year ended September 30, 2023 were as follows:

Operating lease costs	\$ 142,851
Short-term and variable lease costs	<u>11,401</u>
 Total lease costs	 <u>\$ 154,252</u>

As of September 30, 2023, operating leases had a weighed average remaining lease term of 19 months, and the weighted average discount rate was 4.54%.

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

NOTE 7 – OPERATING LEASES (CONTINUED)

Future minimum lease payments under non-cancellable lease agreements are as follows as of September 30:

2024	\$ 136,270
2025	<u>72,000</u>
Total lease payments	208,270
Less amounts representing interest	<u>6,961</u>
Present value of lease liabilities	<u><u>\$ 201,309</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 as of September 30, 2023 and 2022, for eligible unemployment insurance claims. If claims exceed payments into the trust the Council could become liable for those claims.

NOTE 9 – RECLASSIFICATIONS

The prior year financial statements were reclassified to conform to the presentation used for the current year financial statements. Deferred revenue was reclassified from refundable advances on the statement of financial position.

SUPPLEMENTARY INFORMATION

Lakes and Pines Community Action Council, 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 and Pines Community Action Council, Inc. under programs of the federal government for the year ended September 30, 2023. 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 Lakes and Pines Community Action Council, Inc..

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 AND WATER ASSISTANCE PAYMENTS

The Council assists the State of Minnesota with eligibility determinations for the LIHEAP and LIHWAP programs. Client benefits for LIHEAP and LIHWAP eligible participants are subsequently paid directly by the State of Minnesota. For the year ended September 30, 2023, client benefits for the LIHEAP and LIHWAP programs totaling \$5,578,029 and \$165,720, 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, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 14, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakes and Pines Community Action Council, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 and Pines Community Action Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lakes and Pines Community Action Council, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakes and Pines Community Action Council, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

St. Cloud, Minnesota
May 14, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lakes and Pines Community Action Council, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lakes and Pines Community Action Council, Inc.'s major federal programs for the year ended September 30, 2023. Lakes and Pines Community Action Council, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lakes and Pines Community Action Council, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

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 and Pines Community Action Council, 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 and Pines Community Action Council, 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 and Pines Community Action Council, Inc.'s 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 and Pines Community Action Council, 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 and Pines Community Action Council, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lakes and Pines Community Action Council, 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 and Pines Community Action Council, 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 and Pines Community Action Council, 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 a 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.

St. Cloud, Minnesota
May 14, 2024

Lakes and Pines Community Action Council, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

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?	None
• 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?	None
• 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 Federal Programs

Assistance Listing No.	21.027
Name of Federal Program or Cluster	Coronavirus State and Local Fiscal Recovery Funds
Assistance Listing No.	93.568
Name of Federal Program or Cluster	Low-Income Home Energy Assistance
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.