



Lakes and Pines Community Action Council, Inc.

Financial Statements

September 30, 2024 and 2023

Lakes and Pines Community Action Council, Inc.
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lakes and Pines Community Action Council, Inc., which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakes and Pines Community Action Council, Inc. as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakes and Pines Community Action Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakes and Pines Community Action Council, Inc.'s ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakes and Pines Community Action Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakes and Pines Community Action Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakes 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
November 17, 2025

Lakes and Pines Community Action Council, Inc.
Statements of Financial Position
As of September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 468,948	\$ 917,827
Restricted cash	96,947	150,966
Certificates of deposit	678,542	658,212
Accounts receivable	28,485	14,332
Grants receivable	1,646,498	1,371,235
Prepaid expenses	109,057	87,475
Weatherization inventory	67,569	79,800
Total current assets	<u>3,096,046</u>	<u>3,279,847</u>
Property and equipment, net	476,973	387,480
Right-of-use assets - operating	70,854	200,982
Right-of-use assets - finance	<u>15,218</u>	<u>-</u>
Total assets	<u><u>\$ 3,659,091</u></u>	<u><u>\$ 3,868,309</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 226,141	\$ 225,563
Current portion of operating leases	70,854	130,727
Current portion of finance leases	4,734	-
Due to other agency	2,920	2,920
Accrued payroll and related taxes and benefits	325,070	260,824
Accrued vacation	187,944	174,932
Accrued unemployment insurance	5,167	48,407
Deferred revenue	182,619	556,943
Refundable advances	<u>322,149</u>	<u>80,488</u>
Total current liabilities	1,327,598	1,480,804
Lease liabilities - operating	-	70,582
Lease liabilities - finance	<u>10,960</u>	<u>-</u>
Total liabilities	<u>1,338,558</u>	<u>1,551,386</u>
Net Assets		
Without donor restrictions		
Undesignated	2,108,786	1,998,637
Designated by the Board	<u>108,175</u>	<u>94,963</u>
Total without donor restrictions	2,216,961	2,093,600
With donor restrictions	<u>103,572</u>	<u>223,323</u>
Total net assets	<u>2,320,533</u>	<u>2,316,923</u>
Total liabilities and net assets	<u><u>\$ 3,659,091</u></u>	<u><u>\$ 3,868,309</u></u>

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 10,954,560	\$ 88,242	\$ 11,042,802
Program support	1,447,114	-	1,447,114
Interest income	22,927	-	22,927
Net assets released from restrictions	207,993	(207,993)	-
Total revenues	<u>12,632,594</u>	<u>(119,751)</u>	<u>12,512,843</u>
Expenses			
Program services			
Community services	3,357,295	-	3,357,295
Early childhood and family development	3,664,906	-	3,664,906
Weatherization	2,341,169	-	2,341,169
Energy assistance	599,140	-	599,140
Housing rehabilitation	913,757	-	913,757
Other program services	93,378	-	93,378
Management and general	1,539,588	-	1,539,588
Total expenses	<u>12,509,233</u>	<u>-</u>	<u>12,509,233</u>
Change in net assets	123,361	(119,751)	3,610
Net Assets			
Beginning of year	<u>2,093,600</u>	<u>223,323</u>	<u>2,316,923</u>
End of year	<u><u>\$ 2,216,961</u></u>	<u><u>\$ 103,572</u></u>	<u><u>\$ 2,320,533</u></u>

Lakes and Pines Community Action Council, Inc.
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 9,503,192	\$ 187,358	\$ 9,690,550
Program support	1,336,299	-	1,336,299
Interest income	7,002	-	7,002
Net assets released from restrictions	232,519	(232,519)	-
Total revenues	<u>11,079,012</u>	<u>(45,161)</u>	<u>11,033,851</u>
Expenses			
Program services			
Community services	2,210,767	-	2,210,767
Early childhood and family development	3,253,143	-	3,253,143
Weatherization	1,999,443	-	1,999,443
Energy assistance	817,862	-	817,862
Housing rehabilitation	1,046,993	-	1,046,993
Other program services	152,066	-	152,066
Management and general	1,655,152	-	1,655,152
Total expenses	<u>11,135,426</u>	<u>-</u>	<u>11,135,426</u>
 Change in net assets	 (56,414)	 (45,161)	 (101,575)
Net Assets			
Beginning of year	<u>2,150,014</u>	<u>268,484</u>	<u>2,418,498</u>
 End of year	 <u>\$ 2,093,600</u>	 <u>\$ 223,323</u>	 <u>\$ 2,316,923</u>

Lakes and Pines Community Action Council, Inc.
Statement of Functional Expenses
Year Ended September 30, 2024

	Program Services								
	Community Services	Early Childhood and Family Development	Weatherization	Energy Assistance	Housing Rehabilitation	Other Program Services	Total	Management and General	Total
Wages and fringe benefits	\$ 1,470,062	\$ 2,689,741	\$ 1,136,830	\$ 483,659	\$ 90,739	\$ 6,579	\$ 5,877,610	\$ 1,212,512	\$ 7,090,122
Professional services	1,258	50,837	1,872	1,813	762	-	56,542	1,616	58,158
Contractual services	173	323,908	-	50,166	-	-	374,247	61,759	436,006
Vehicle expenses and travel	51,002	158,784	82,246	1,921	2,995	232	297,180	41,230	338,410
Training	12,500	26,461	13,240	979	457	-	53,637	45,381	99,018
Supplies and copy costs	37,701	93,415	72,102	12,661	366	4,244	220,489	68,252	288,741
Insurance	7,889	22,392	41,056	4,327	593	-	76,257	532	76,789
Office rent, utilities, and space costs	36,091	141,785	19,972	375	-	-	198,223	61,153	259,376
Dues and subscriptions	1,350	10,889	450	400	-	-	13,089	27,437	40,526
Communication, postage and telephone	25,018	53,800	7,160	13,928	1,157	-	101,063	15,246	116,309
Printed forms and advertising	7,670	964	-	106	-	-	8,740	4,470	13,210
Direct client support	1,706,581	91,930	966,241	28,805	816,688	3,945	3,614,190	-	3,614,190
Depreciation	-	-	-	-	-	78,378	78,378	-	78,378
Total expenses	<u>\$ 3,357,295</u>	<u>\$ 3,664,906</u>	<u>\$ 2,341,169</u>	<u>\$ 599,140</u>	<u>\$ 913,757</u>	<u>\$ 93,378</u>	<u>\$ 10,969,645</u>	<u>\$ 1,539,588</u>	<u>\$ 12,509,233</u>

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services								
	Community Services	Early Childhood and Family Development	Weatherization	Energy Assistance	Housing Rehabilitation	Other Program Services	Total	Management and General	Total
Wages and fringe benefits	\$ 1,059,084	\$ 2,374,714	\$ 831,493	\$ 687,102	\$ 142,225	\$ 5,383	\$ 5,100,001	\$ 1,357,960	\$ 6,457,961
Professional services	31,826	10,411	4,202	2,476	3,624	6,854	59,393	3,198	62,591
Contractual services	6,883	182,465	10,785	11,799	-	-	211,932	28,947	240,879
Vehicle expenses and travel	40,748	160,744	67,271	4,293	4,788	97	277,941	36,339	314,280
Training	7,688	45,438	9,354	7,622	901	-	71,003	65,243	136,246
Supplies and copy costs	19,418	130,465	29,422	22,380	119	-	201,804	70,418	272,222
Insurance	6,800	23,777	38,965	5,586	778	9	75,915	1,299	77,214
Office rent, utilities, and space costs	28,956	149,508	63,606	-	-	28,516	270,586	25,566	296,152
Dues and subscriptions	1,603	40,177	-	200	-	-	41,980	22,722	64,702
Communication, postage and telephone	25,658	52,872	7,560	14,368	2,831	-	103,289	14,985	118,274
Printed forms and advertising	2,488	865	644	19,926	-	-	23,923	28,475	52,398
Direct client support	979,615	81,707	936,141	42,110	891,727	-	2,931,300	-	2,931,300
Depreciation	-	-	-	-	-	111,207	111,207	-	111,207
Total expenses	\$ 2,210,767	\$ 3,253,143	\$ 1,999,443	\$ 817,862	\$ 1,046,993	\$ 152,066	\$ 9,480,274	\$ 1,655,152	\$ 11,135,426

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows - Operating Activities		
Change in net assets	\$ 3,610	\$ (101,575)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	78,378	111,207
Amortization of right-of-use assets - operating leases	130,128	96,170
Amortization of right-of-use assets - finance leases	4,945	-
Change in operating assets and liabilities		
Accounts receivable	(14,153)	18,827
Grants receivable	(275,263)	(28,128)
Prepaid expenses	(21,582)	(65,678)
Weatherization inventory	12,231	(7,975)
Operating lease liabilities	(130,455)	(95,843)
Accounts payable	578	53,900
Accrued payroll and related taxes and benefits	64,246	64,760
Accrued vacation	13,012	6,335
Accrued unemployment insurance	(43,240)	26,755
Deferred revenue	(374,324)	121,619
Refundable advances	241,661	60,483
Net cash flows - operating activities	<u>(310,228)</u>	<u>260,857</u>
Cash Flows - Investing Activities		
Reinvested earnings and purchases of certificates of deposit	(20,330)	(6,578)
Purchases of property and equipment	(167,871)	(143,585)
Net cash flows - investing activities	<u>(188,201)</u>	<u>(150,163)</u>
Cash Flows - Financing Activities		
Payments on finance leases	(4,469)	-
Net change in cash and cash equivalents and restricted cash	(502,898)	110,694
Cash and Cash Equivalents and Restricted Cash		
Beginning of year	<u>1,068,793</u>	<u>958,099</u>
End of year	<u>\$ 565,895</u>	<u>\$ 1,068,793</u>
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 468,948	\$ 917,827
Restricted cash	<u>96,947</u>	<u>150,966</u>
Total cash and cash equivalents and restricted cash	<u>\$ 565,895</u>	<u>\$ 1,068,793</u>

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Supplemental Disclosure of Cash Flow Information		
Operating cash outflows from operating leases	\$ 135,943	\$ 142,524
Operating cash outflows from finance leases	664	-
Financing cash outflows from finance leases	4,430	-
Supplemental Schedule of Noncash Investing and Financing Activities		
ROU assets obtained in exchange for operating lease liabilities	\$ -	\$ 297,152
ROU assets obtained in exchange for finance lease liabilities	20,163	-

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. All accounts are reviewed annually for collectability.

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 2024, 24% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2024, 24% 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 41% of grants receivable as of September 30, 2024. The Energy Assistance and Weatherization Programs represented approximately 21% of grants receivable as of September 30, 2024.

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.

The current economic environment presents ongoing uncertainty due to potential changes in federal and state funding priorities. These conditions may impact the Council's operating activities, liquidity, and ability to sustain certain programs. While management is actively monitoring these developments and taking steps to mitigate financial risk, the ultimate impact on the Council's financial position and results of operations, if any, cannot be reasonably estimated at this time.

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

Long-Lived Assets

The 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, 2024 and 2023.

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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 expedients (1) to discount the lease liability using the risk-free rate for all asset classes, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components for all asset classes.

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.

Revenue Recognition

Contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Contributions and 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, 2024 and 2023, conditional contributions and grants of \$8,540,554 and \$6,948,400, respectively, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 and deferred revenue were \$33,159 and \$435,943, respectively, as of October 1, 2022.

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 2024 and 2023, the Council incurred advertising costs totaling \$13,210 and \$52,398, 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.

Functional Allocation of Expenses

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.

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

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.

Subsequent Events

The Council has evaluated subsequent events through November 17, 2025, 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, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 468,948	\$ 917,827
Certificates of deposit	678,542	658,212
Accounts receivable	28,485	14,332
Grants receivable	1,646,498	1,371,235
Total financial assets	<u>2,822,473</u>	<u>2,961,606</u>
Less due to other agency	2,920	2,920
Less net assets designated by the Board	108,175	94,963
Less net assets with donor restrictions	<u>103,572</u>	<u>223,323</u>
Total financial assets available for general expenditures	<u><u>\$ 2,607,806</u></u>	<u><u>\$ 2,640,400</u></u>

The Council 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 60,818	\$ 60,818
Buildings and improvements	1,025,952	884,148
Vehicles and equipment	<u>1,149,559</u>	<u>1,123,492</u>
	2,236,329	2,068,458
Less accumulated depreciation	<u>1,759,356</u>	<u>1,680,978</u>
Property and equipment, net	<u><u>\$ 476,973</u></u>	<u><u>\$ 387,480</u></u>

NOTE 4 - NET ASSETS DESIGNATED BY THE BOARD

Net assets designated by the Board consists of the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Designated for		
Pine County financial education project	\$ 245	\$ 245
Contracted services	10,001	10,001
Head Start transportation	126	126
Head Start	15,603	15,399
Caring members (East Central Energy)	52,507	36,439
Emergency services	9,938	12,643
Delivery donation fund	296	296
Transportation assistance	721	721
Reading is fundamental (RIF)	2,941	2,941
Reach out for warmth	5,730	6,085
Inspection services	<u>10,067</u>	<u>10,067</u>
Total net assets designated by the Board	<u><u>\$ 108,175</u></u>	<u><u>\$ 94,963</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Conservation improvement plan (CIP)	\$ 45,220	\$ 48,262
Community services	57,934	152,995
Transformative coaching model	<u>418</u>	<u>22,066</u>
 Total net assets with donor restrictions	 <u><u>\$ 103,572</u></u>	 <u><u>\$ 223,323</u></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 \$121,673 and \$118,388 for 2024 and 2023, respectively.

NOTE 7 - LEASES

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

Lease costs for the years ended September 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 135,943	\$ 142,851
Short-term and variable lease costs	9,899	11,401
Amortization of ROU assets - finance leases	4,682	-
Interest on lease liabilities - finance leases	<u>624</u>	<u>-</u>
 Total lease costs	 <u><u>\$ 151,148</u></u>	 <u><u>\$ 154,252</u></u>

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

NOTE 7 - LEASES (CONTINUED)

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

	Operating	Finance
	<u> </u>	<u> </u>
2025	\$ 72,000	\$ 5,094
2026	-	5,094
2027	-	5,094
2028	-	1,274
	<u> </u>	<u> </u>
Total lease payments	72,000	\$ 16,556
Less amounts representing interest	1,146	862
	<u> </u>	<u> </u>
Present value of lease liabilities	<u>\$ 70,854</u>	<u>\$ 15,694</u>

The weighted-average remaining lease term and discount rate for operating leases was as follows as of September 30, 2024 and 2023:

	2024	2023
	<u> </u>	<u> </u>
Operating leases - weighted-average remaining lease term	9 months	19 months
Operating leases - weighted-average discount rate	4.64%	4.54%
Finance lease - weighted-average remaining lease term	39 months	-
Finance lease - weighted-average discount rate	3.61%	-

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, 2024 and 2023, for eligible unemployment insurance claims. If claims exceed payments into the trust the Council could become liable for those claims.

SUPPLEMENTARY INFORMATION

Lakes and Pines Community Action Council, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal Grantors/Pass-Through Grantor/Program or Cluster Title/Project Name	Federal Assistance Listing Number	Pass - Through Entity Identification Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-through from Minnesota Department of Education			
Child and Adult Care Food Program	10.558	2MN300061	\$ 42,262
Pass-through from Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	219408	38,947
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	219912	101,923
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	GRK%219408	121
Total SNAP Cluster			140,991
Total U.S. Department of Agriculture			183,253
U.S. Department of Housing and Urban Development			
Pass-through from Minnesota Department of Employment and Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
Sturgeon Lake Small Cities Development Program	14.228	CDAP-200049-O-FY21	1,420
City of Hinkley Small Cities Development Program	14.228	CDAP-19-0053-O-FY19	15,821
Twin Lakes Township Small Cities Development Program	14.228	CDAP-21-0058-O-FY23	2,220
City of Sandstone Small Cities Development Program	14.228	CDAP-21-0057-O-FY23	30,025
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			49,486
Direct			
Continuum of Care Program			
HUD RRH COC 12/22-11/23	14.267		6,047
HUD DV 12/22-11/23	14.267		1,488
HUD Navigator 08/23-07/24	14.267		55,797
HUD Navigator 08/24-07/25	14.267		11,082
Total Continuum of Care Program			74,414
Total U.S. Department of Housing and Urban Development			123,900
U.S. Department of Treasury			
Direct			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009		60,608
Pass-through from Pine County			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	111,615
Total U.S. Department of Treasury			172,223

See notes to expenditures of federal awards.

Lakes and Pines Community Action Council, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal Grantors/Pass-Through Grantor/Program or Cluster Title/Project Name	Federal 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 Persons			
Bipartisan Infrastructure 23/24	81.042	DE-EE0009995	387,630
Bipartisan Infrastructure 24/25	81.042	DE-EE0009995	168,444
DOE Weatherization 23/24	81.042	DE-EE0009910	749,786
DOE Weatherization 24/25	81.042	DE-EE0009910	75,429
SERC II 24/25	81.042	DE-EE0009910	61
Total Weatherization Assistance for Low-Income Persons and U.S. Department of Energy			<u>1,381,350</u>
U.S. Department of Health And Human Services			
Pass-through from Central Minnesota Council & Aging			
National Family Caregiver Support, Title III, Part E			
Title III E - Adult Respite 2023	93.052	315-21-003E-012	<u>1,384</u>
Pass-through from Minnesota Department of Commerce			
Low-Income Home Energy Assistance			
EAP/WX A2119	93.568	2302MNLIEA	574,903
EAP/WX A2122	93.568	2402MNLIEA	12,438
EAP/WX A2119 Rollover	93.568	2302MNLIEA	404,138
EAP 2024	93.568	N/A	641,415
EAP Direct Payments from State	93.568	N/A	4,154,681
Total Low-Income Home Energy Assistance			<u>5,787,575</u>
Pass-through from Minnesota Department of Health and Human Services			
Community Services Block Grant			
CSBG 2022-2023	93.569	160081	8,328
CSBG 2024-2025	93.569	160081	193,862
CSBG Discretionary Grant	93.569	160081	26,183
Total Community Services Block Grant			<u>228,373</u>
Direct			
Head Start Cluster			
Head Start FY24 (Early and Head Start)	93.600		2,556,789
Head Start FY25 (Early and Head Start)	93.600		534,320
Pass-through Tri County Community Action Partnership			
Head Start 2024	93.600	N/A	28,139
Total Head Start Cluster			<u>3,119,248</u>
Total U.S. Department of Health and Human Services			<u>9,136,580</u>
Total expenditures of federal awards			<u>\$ 10,997,306</u>

See notes to expenditures of federal awards.

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, 2024. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lakes 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 conform to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Lakes 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

Lakes and Pines Community Action Council, Inc. 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, 2024, client benefits for the LIHEAP program totaling \$4,154,681 were paid by the state. These amounts are considered federal awards to Lakes and Pines Community Action Council, Inc. 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, 2024, 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 November 17, 2025.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakes 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 Lakes & Pines Community Action Council, Inc.'s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned cost as item 2024-001 that we considered to be a material weakness.

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 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-002.

Lakes and Pines Community Action Council, Inc.'s Response to Findings

Lakes and Pines Community Action Council, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lakes and Pines Community Action Council, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 17, 2025



**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 described by 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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lakes 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.

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-02. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Lakes and Pines Community Action Council, Inc.'s response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Lakes and Pines Community Action Council, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 17, 2025

Lakes and Pines Community Action Council, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial Statements were prepared in accordance with U.S. GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• 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)?	Yes

Identification of Major Federal Programs

Assistance Listing No.	93.600
Name of Federal Program or Cluster	Head Start Cluster
Assistance Listing No.	81.042
Name of Federal Program or Cluster	Weatherization Assistance for Low-income Persons
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low-risk auditee?	Yes

Lakes and Pines Community Action Council, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2024-001: Untimely and Inaccurate Reconciliations

Criteria:

The Council must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures and the schedule of federal awards.

Condition:

During the initial phase of audit fieldwork, the Council provided account reconciliations and a trial balance for testing. Upon performing substantive procedures, the audit team identified discrepancies and inconsistencies in the reconciliations, indicating they were not prepared in accordance with generally accepted accounting principles.

Cause:

The reconciliations initially provided were based on incomplete or incorrect data, and lacked sufficient review controls. This resulted in misstatements across several account balances.

Effect:

Due to the incorrect reconciliations, material misstatements were present in the financial records. The Council subsequently prepared revised reconciliations, made material adjustments to affected accounts, and issued an updated trial balance. These adjustments impacted key financial statement areas, including cash, grants receivable, accounts payable, accrued expenses, refundable advances, and related revenue and expenses. As a result, management and those charged with governance lacked timely and accurate financial data that is critical to decision making and it caused a significant delay in completing the audit.

Recommendation:

We recommend the Council strengthen its internal controls over the reconciliation process, including implementing a formal review procedure and ensuring reconciliations are supported by complete and accurate documentation prior to audit fieldwork. Timely and accurate reconciliations are critical to maintaining reliable financial reporting and audit readiness.

Responsible Officials Response:

Management acknowledges the finding. The Council has taken corrective action to strengthen financial oversight and reconciliation processes. A new Fiscal Controller has been hired to oversee financial operations and ensure the accuracy and completeness of financial data. In addition, the Council has contracted with an outside provider to conduct a comprehensive review of existing procedures related to review controls, reconciliations, and monthly tie-outs. These steps are designed to improve the timeliness and accuracy of reconciliations and to enhance the reliability of financial reporting for improved decision-making. The Council anticipates full implementation of these procedures to result in sustained compliance and smoother future audits.

Lakes and Pines Community Action Council, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2024

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-002: Submission of the Audit Reporting Package and Data Collection Form

Federal Agency: Various
Assistance Listing Number: Multiple
Compliance Requirement: Reporting

Criteria:

Per 2 CFR § 200.510(b), the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. Per §200.512(a), the SEFA must be submitted to the Federal Audit Clearing House (FAC) within the required deadline.

Cause:

The delay was due to a lack of capacity in the finance department and not following the year-end closing schedule.

Effect:

To qualify as a low-risk auditee, 2 CFR section 200.520 requires the audit reporting package and data collection form to be submitted to the FAC by the due date for each of the previous two years. Late filing will result in noncompliance with timely submission of financial information to the grantor agencies.

Recommendation:

Management should address the lack of capacity in the finance department and monitor the year-end closing schedule for a timely audit reporting package and data collection form to ensure compliance with federal deadlines.

Questioned costs:

None

Responsible Official's Response

Management concurs with the finding. The Council recognizes the importance of timely submission of the SEFA and related audit documentation to maintain compliance with federal requirements. To address this issue, the Council has engaged an outside provider to assist with process improvements that will streamline financial reporting and ensure timely preparation and submission of all required audit materials. These enhancements will strengthen internal controls and support continued compliance in future reporting periods.