

**Lakes and Pines Community
Action Council, Inc.**

Financial Statements

September 30, 2018 and 2017

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lakes and Pines Community Action Council, Inc. (the "Council"), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended and related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lakes and Pines Community Action Council, Inc., as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2019, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to 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 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 the Council's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
March 18, 2019

FINANCIAL STATEMENTS

Lakes and Pines Community Action Council, Inc.
Statements of Financial Position
As of September 30, 2018 and 2017

	2018	2017 (restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 965,086	\$ 1,100,171
Restricted cash	213,424	219,104
Certificates of deposit	446,789	93,545
Interest receivable	502	502
Accounts receivable	25,713	10,534
Grants receivable	1,029,805	729,284
Prepaid expenses	24,821	26,021
Weatherization inventory	68,204	62,693
Total current assets	2,774,344	2,241,854
Property and equipment, net	496,299	501,988
Noncurrent assets		
Certificates of deposit	172,911	520,667
Total assets	\$ 3,443,554	\$ 3,264,509
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 497,521	\$ 175,169
Due to other agencies	1,272	55,055
Accrued payroll and related taxes and benefits	234,231	205,813
Accrued vacation	131,172	132,035
Accrued unemployment insurance	37,439	52,947
Deferred revenue - grants	321,309	505,121
Total current liabilities	1,222,944	1,126,140
Net Assets		
Unrestricted		
Undesignated	1,645,085	1,557,444
Designated	79,226	78,937
Investment in property and equipment	496,299	501,988
Total net assets	2,220,610	2,138,369
Total liabilities and net assets	\$ 3,443,554	\$ 3,264,509

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Statements of Activities
Years Ended September 30, 2018 and 2017

	2018	2017 (restated)
Revenues		
Grant revenue	\$ 9,155,634	\$ 7,812,204
In-kind contributions	-	2,466
Program support	308,214	180,014
Interest income	5,998	4,845
Total revenues	9,469,846	7,999,529
Expenses		
Wages and fringe benefits	5,042,858	4,600,032
Professional services	40,287	36,382
Contractual services	300,897	256,790
Vehicle expense and travel	355,335	326,271
Training	275,638	132,312
In-kind contribution	-	2,466
Supplies and copy costs	410,373	318,872
Insurance	46,273	51,223
Office rent, utilities, and space costs	236,339	253,605
Dues, subscriptions and memberships	38,092	41,556
Communication (postage and telephone)	99,604	79,066
Printed forms and advertising	67,982	61,901
Direct client support	2,392,288	1,543,300
Depreciation	81,639	55,363
Total expenses	9,387,605	7,759,139
Change in net assets	82,241	240,390
Net Assets		
Beginning of year	2,138,369	1,870,538
Prior period adjustment	-	27,441
Beginning of year, restated	2,138,369	1,897,979
End of year	\$ 2,220,610	\$ 2,138,369

See notes to financial statements.

Lakes and Pines Community Action Council, Inc.
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017 (restated)
Cash Flows - Operating Activities		
Change in net assets	\$ 82,241	\$ 240,390
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	81,639	55,363
Change in operating assets and liabilities		
Accounts receivable	(15,179)	17,951
Grants receivable	(300,521)	(131,048)
Prepaid expenses	1,200	18,836
Weatherization inventory	(5,511)	(6,268)
Accounts payable	322,352	(85,706)
Due to other agencies	(53,783)	53,782
Accrued payroll and related taxes and benefits	28,418	(81,032)
Accrued vacation	(863)	4,335
Accrued unemployment insurance	(15,508)	(22,311)
Deferred revenue - grants	(183,812)	309,673
Total adjustments	(141,568)	133,575
Net cash flows - operating activities	(59,327)	373,965
 Cash Flows - Investing Activities		
Reinvested earnings for certificates of deposit	(5,488)	-
Maturities of certificates of deposit	-	149,385
Purchases of property and equipment	(75,950)	(165,419)
Net cash flows - investing activities	(81,438)	(16,034)
 Cash Flows - Financing Activities		
Principal payments on note payable	-	(152,989)
 Net change in cash and cash equivalents	(140,765)	204,942
 Cash and Cash Equivalents		
Beginning of year	1,319,275	1,114,333
End of year	\$ 1,178,510	\$ 1,319,275
 Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 965,086	\$ 1,100,171
Restricted cash	213,424	219,104
	\$ 1,178,510	\$ 1,319,275

See notes to financial statements.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting. The accounting policies of the Council conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

Revenues and expenses are accounted for on the accrual basis for all classes of net assets. Revenues are recognized when earned and expensed when incurred.

Financial Statement Presentation

The net assets and revenues of the Council are reported based upon net asset restrictions and the purposes for which resources are to be spent and the means by which spending activities are controlled. Net asset restrictions are categorized as follows:

Unrestricted

Accounts for all financial resources which are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Resources may be used at the discretion of the Board of Directors.

The Council has elected to present temporarily restricted contributions, which are fulfilled in the same period, within unrestricted net assets.

Temporarily Restricted

Accounts for (a) contributions and other inflows of assets whose use by the Council is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Council pursuant to those stipulations. At September 30, 2018 and 2017, the Council did not have temporarily restricted net assets.

Permanently Restricted

Accounts for all financial resources which include a donor-imposed restriction that stipulates the resources be maintained permanently, but permits the Council to use or expend part or all of the income derived from the donated assets. At September 30, 2018 and 2017, the Council did not have permanently restricted net assets.

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Council considers cash in financial institutions and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. There were no payments made for interest or income taxes.

Restricted Cash

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

Certificates of Deposit

Certificates of deposit have original maturities greater than three months and are recorded at cost. Certificates of deposit that mature within one year are shown as current assets.

Accounts Receivable

Accounts receivable are the result of the Council extending unsecured credit to the users of the Council's programs. Management reviews the current status of the receivables and currently expenses all accounts which are determined to be uncollectible, accordingly, no allowance for doubtful accounts was deemed necessary at September 30, 2018 and 2017. Accounts receivable are considered delinquent after 30 days and the Council does not accrue interest on delinquent receivables.

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

The Council capitalizes expenses for land, building, and equipment with a value greater than \$5,000. Property and equipment purchased are stated at cost. Contributed items are recorded at fair value at the date of the contribution. Capitalized property and equipment are depreciated over their estimated useful lives ranging from 5 to 25 years. Depreciation is calculated using the straight line basis and totaled \$81,639 and \$55,363 for 2018 and 2017, respectively.

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.