

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

**Financial Statements**

**September 30, 2020 and 2019**



**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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020 and 2019, 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***

#### ***Report on Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated July 23, 2021, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council'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 the Council's internal control over financial reporting and compliance.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
July 23, 2021

## **FINANCIAL STATEMENTS**

**Lakes and Pines Community Action Council, Inc.**  
**Statements of Financial Position**  
**As of September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 552,353	\$ 1,123,374
Restricted cash	205,733	223,159
Certificates of deposit	460,161	95,811
Interest receivable	-	502
Accounts receivable	125,567	143,354
Grants receivable	1,375,009	766,251
Prepaid expenses	101,052	119,006
Weatherization inventory	53,410	62,266
Total current assets	<u>2,873,285</u>	<u>2,533,723</u>
Property and equipment, net	454,803	528,620
Noncurrent assets		
Certificates of deposit	<u>177,091</u>	<u>530,737</u>
Total assets	<u><u>\$ 3,505,179</u></u>	<u><u>\$ 3,593,080</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 143,913	\$ 343,066
Due to other agency	3,293	3,293
Accrued payroll and related taxes and benefits	178,668	264,403
Accrued vacation	169,054	126,772
Accrued unemployment insurance	38,709	28,659
Deferred revenue	98,890	70,111
Refundable advances	626,201	473,860
Total current liabilities	<u>1,258,728</u>	<u>1,310,164</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	1,980,392	2,189,296
Designated by the Board	103,457	93,620
With donor restrictions	<u>162,602</u>	<u>-</u>
Total net assets	<u>2,246,451</u>	<u>2,282,916</u>
Total liabilities and net assets	<u><u>\$ 3,505,179</u></u>	<u><u>\$ 3,593,080</u></u>

See notes to financial statements.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Grant and contribution revenue	\$ 9,176,015	\$ 267,774	\$ 9,443,789
Program support	502,857	-	502,857
Interest income	10,738	-	10,738
Net assets released from restrictions	105,172	(105,172)	-
Total revenues	<u>9,794,782</u>	<u>162,602</u>	<u>9,957,384</u>
<b>Expenses</b>			
Program services			
Community services	2,159,623	-	2,159,623
Early childhood and family development	3,313,676	-	3,313,676
Weatherization	883,351	-	883,351
Energy assistance	1,407,126	-	1,407,126
Housing rehabilitation	684,972	-	684,972
Other program services	323,208	-	323,208
Supporting services			
Management and general	1,221,893	-	1,221,893
Total expenses	<u>9,993,849</u>	<u>-</u>	<u>9,993,849</u>
Change in net assets	(199,067)	162,602	(36,465)
<b>Net Assets</b>			
Beginning of year	<u>2,282,916</u>	<u>-</u>	<u>2,282,916</u>
End of year	<u>\$ 2,083,849</u>	<u>\$ 162,602</u>	<u>\$ 2,246,451</u>

**Lakes and Pines Community Action Council, Inc.**  
**Statement of Activities**  
**Year Ended September 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Grant revenue	\$ 9,004,333	\$ -	\$ 9,004,333
Program support	449,634	-	449,634
Interest income	7,408	-	7,408
Total revenues	9,461,375	-	9,461,375
<b>Expenses</b>			
Program services			
Community services	1,892,174	-	1,892,174
Early childhood and family development	3,240,729	-	3,240,729
Weatherization	1,240,909	-	1,240,909
Energy assistance	1,169,430	-	1,169,430
Housing rehabilitation	679,583	-	679,583
Other program services	155,767	-	155,767
Supporting services			
Management and general	1,100,860	-	1,100,860
Total expenses	9,479,452	-	9,479,452
Change in net assets	(18,077)	-	(18,077)
<b>Net Assets</b>			
Beginning of year	2,300,993	-	2,300,993
End of year	\$ 2,282,916	\$ -	\$ 2,282,916



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

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

**Lakes and Pines Community Action Council, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2019**

	Program Services						Total	Administrative	Total
	Community Services	Early Childhood and Family Development	Weatherization	Energy Assistance	Housing Rehabilitation	Other Program Services			
<b>Expenses</b>									
Wages and fringe benefits	\$ 1,057,480	\$ 2,225,907	\$ 632,059	\$ 477,608	\$ 98,505	\$ 12,840	\$ 4,504,399	\$ 861,974	\$ 5,366,373
Professional services	8,416	8,222	2,248	1,654	1,702	707	22,949	4,381	27,330
Contractual services	57,265	291,870	-	222	-	-	349,357	22,030	371,387
Vehicle expenss and travel	68,942	209,024	62,954	5,100	3,440	148	349,608	40,163	389,771
Training	13,508	40,024	9,046	3,545	1,602	-	67,725	29,425	97,150
Supplies and copy costs	50,367	220,829	13,086	43,488	411	21,930	350,111	51,273	401,384
Insurance	1,354	17,855	18,621	6,275	593	37	44,735	3,953	48,688
Office rent, utilities, and space costs	22,838	70,111	25,478	145	-	8,862	127,434	38,751	166,185
Dues and subscriptions	250	14,717	10	-	-	-	14,977	17,926	32,903
Communication, postage and telephone	16,436	46,478	3,383	9,917	1,117	-	77,331	24,199	101,530
Printed forms and advertising	2,627	37,245	3,134	8,471	-	-	51,477	6,785	58,262
Direct client support	592,691	58,447	470,890	613,005	572,213	15,719	2,322,965	-	2,322,965
Depreciation	-	-	-	-	-	95,524	95,524	-	95,524
	<u>\$ 1,892,174</u>	<u>\$ 3,240,729</u>	<u>\$ 1,240,909</u>	<u>\$ 1,169,430</u>	<u>\$ 679,583</u>	<u>\$ 155,767</u>	<u>\$ 8,378,592</u>	<u>\$ 1,100,860</u>	<u>\$ 9,479,452</u>

**Lakes and Pines Community Action Council, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ (36,465)	\$ (18,077)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	111,666	95,524
Change in operating assets and liabilities		
Interest receivable	502	-
Accounts receivable	17,787	(117,641)
Grants receivable	(608,758)	263,554
Prepaid expenses	17,954	(9,308)
Weatherization inventory	8,856	5,938
Accounts payable	(199,153)	(171,772)
Due to other agency	-	2,021
Accrued payroll and related taxes and benefits	(85,735)	42,995
Accrued vacation	42,282	(4,400)
Accrued unemployment insurance	10,050	(8,780)
Deferred revenue	28,779	61,868
Refundable advances	152,341	160,794
Total adjustments	<u>(503,429)</u>	<u>320,793</u>
Net cash flows - operating activities	<u>(539,894)</u>	<u>302,716</u>
 <b>Cash Flows - Investing Activities</b>		
Reinvested earnings and purchases of certificates of deposit	(10,704)	(6,848)
Purchases of property and equipment	<u>(37,849)</u>	<u>(127,845)</u>
Net cash flows - investing activities	<u>(48,553)</u>	<u>(134,693)</u>
 Net change in cash and cash equivalents and restricted cash	(588,447)	168,023
 <b>Cash and Cash Equivalents and Restricted Cash</b>		
Beginning of year	<u>1,346,533</u>	<u>1,178,510</u>
 End of year	<u>\$ 758,086</u>	<u>\$ 1,346,533</u>
 <b>Reconciliation to Statements of Financial Position</b>		
Cash and cash equivalents	\$ 552,353	\$ 1,123,374
Restricted cash	<u>205,733</u>	<u>223,159</u>
 Total	<u>\$ 758,086</u>	<u>\$ 1,346,533</u>

See notes to financial statements.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

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

**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 and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**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 through contracts rather than grant agreements. Management reviews the current status of the receivables and currently expenses all accounts which are determined to be uncollectible, accordingly, no allowance for doubtful accounts was deemed necessary at September 30, 2020 and 2019. Accounts receivable are considered delinquent after 30 days and the Council does not accrue interest on delinquent receivables.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Weatherization Inventory**

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

**Property and Equipment**

The Council capitalizes expenses for property and equipment with a value greater than \$5,000. Property and equipment purchases 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 \$111,666 and \$95,524 for 2020 and 2019, 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.

**Long-Lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Council has determined that no impairment existed at September 30, 2020 and 2019.

**Accrued Vacation**

Compensated absences are charged to expenses during the period earned based on employees' length of service. As a result, a liability for accrued vacation is shown in the statements of financial position as of September 30, 2020 and 2019.

**Net Assets**

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

*Net Assets Without Donor Restrictions*

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

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*Net Assets With Donor Restrictions*

Net assets subject to donor- (or certain 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.

**Energy Assistance Payments**

The Council has a grant with the State of Minnesota Department of Commerce for outreach, intake, eligibility and certification of LIHEAP-eligible participants. Client benefits for LIHEAP-eligible participants are subsequently paid directly by the State of Minnesota. For 2020 and 2019, client benefits in the amount of \$5,756,278 and \$4,491,717, respectively, paid by the State, are not included in the statements of activities.

**Revenue and Revenue Recognition**

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

Grant awards without substantial conditions are recognized in the period in which they are approved by the governing bodies. Grants with substantial conditions are not recognized until the conditions on which they depend are met. The federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at September 30, 2020 and 2019, conditional contributions approximating \$8,306,729 and \$6,696,015, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Program support is recognized as services are provided.

**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 statements 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.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**In-Kind Contributions**

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.

**Functional Expense and Cost Allocation**

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

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

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

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

**Advertising Costs**

The Council's policy is to expense advertising costs as they are incurred. During 2020 and 2019, the Council incurred advertising costs totaling \$62,658 and \$58,262, respectively.

**Tax Status**

The Council is a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Council is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Council is subject to income tax on net income that is derived from business activities unrelated to the exempt purposes. Management has determined that the Council is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements**

*Revenue Recognition*

In May 2014, the FASB issued ASU No. 2014-09 (Topic 606) *Revenue from Contracts with Customers* ("ASU No. 2014-09" or "Topic 606"), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification "ASC" Topic 605, *Revenue Recognition* ("Topic 605") and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Council is currently evaluating the impact this standard will have on its financial statements.

*Contributed Nonfinancial Assets*

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

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Council is currently evaluating the impact this standard will have on its financial statements.



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

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

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

	2020	2019
Cash and cash equivalents	\$ 552,353	\$ 1,123,374
Certificates of deposit - current	460,161	95,811
Accounts receivable, net	125,567	143,856
Grants receivable	1,375,009	766,251
Inventory	53,410	62,266
Less refundable advances and deferred revenue	(725,091)	(543,971)
Less board designated net assets	(103,457)	(93,620)
Less net assets with donor restrictions	(162,602)	-
Total financial assets available for general expenditures	\$ 1,575,350	\$ 1,553,967

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

**NOTE 3 – GRANTS RECEIVABLE AND REFUNDABLE ADVANCES**

	2020	2019
Federal programs	\$ 942,599	\$ 576,111
State, local, and other programs	432,410	190,140
Grants receivable	\$ 1,375,009	\$ 766,251
	2020	2019
Federal programs	\$ 112,446	\$ 90
State, local, and other programs	513,755	473,770
Refundable advances	\$ 626,201	\$ 473,860

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

**NOTE 4 – PROPERTY AND EQUIPMENT**

	2020	2019
Land	\$ 60,818	\$ 60,818
Buildings and improvements	802,023	802,023
Vehicles and equipment	981,436	943,586
	1,844,277	1,806,427
Less accumulated depreciation	(1,389,474)	(1,277,807)
Property and equipment, net	\$ 454,803	\$ 528,620

**NOTE 5 – NET ASSETS DESIGNATED BY THE BOARD**

	2020	2019
Designated for		
Pine county financial education project	\$ 245	\$ 245
Contracted services	2,121	10,638
Head Start transportation	126	126
Head Start	13,478	10,386
Caring members (East Central Energy)	22,908	8,934
Emergency services	25,968	22,863
Advance health care directive fund	25	25
Delivery donation fund	296	296
Transportation assistance	721	721
Reading is fundamental (RIF)	2,941	2,941
EAP refunds/income fund	14,161	13,761
Reach out for warmth	8,150	4,268
Inspection services	12,317	12,317
ECRAC fund	-	6,099
Total net assets designated by the Board	\$ 103,457	\$ 93,620

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

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

	2020	2019
Subject to expenditure for specified purpose		
CIP	\$ 112,070	\$ -
Early child and family development	36,958	-
Community services	13,574	-
Total net assets with donor restrictions	\$ 162,602	\$ -
	2020	2019
Satisfaction of purpose restrictions		
CIP	\$ 38,570	\$ -
Early child and family development	48,543	-
Community services	18,059	-
Total net assets released from restrictions	\$ 105,172	\$ -

**NOTE 7 – RETIREMENT PLAN**

As of January 1, 2020, the Council sponsors a 401(k) retirement plan. The plan covers substantially all full-time employees. Prior to January 1, 2020, the Council sponsored a 403(b) retirement plan. Contributions to the plans amounted to \$112,306 and \$102,760 for 2020 and 2019, respectively.

**NOTE 8 – OPERATING LEASES**

The Council leases certain office and warehouse facilities under leases classified as operating leases, the last of which expires July 2021. Total lease expense for 2020 and 2019 was \$172,978 and \$134,740, respectively.

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

2021	\$ 119,960
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**NOTE 9 – MATCHING FUNDS**

Certain grants require securing of matching funds from other sources. The Council is meeting the matching fund requirements.

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

**NOTE 10 – CONCENTRATIONS AND CONTINGENCIES**

**Cash**

At various times during the year, the Council had cash on deposit with banks in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Council has not experienced any losses from such accounts.

**Concentrations – Revenue**

During 2020, 30% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2020, 25% of the Council's revenue was from the Energy Assistance and Weatherization Programs funded through the U.S. Department of Health and Human Services and the U.S. Department of Energy.

During 2019, 31% of the Council's revenue was from the Head Start Program funded through the U.S. Department of Health and Human Services. During 2019, 25% of the Council's revenue was from the Energy Assistance and Weatherization Programs funded through the U.S. Department of Health and Human Services and the U.S. Department of Energy.

**Grants**

Under provisions of various federal grants, title to all nonexpendable property acquired for use in the programs shall revert to the grantor upon termination of the programs.

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

**Claims**

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

**Employee Dental Plan**

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

**State Unemployment**

The Council has elected out of Minnesota state unemployment insurance and participates in a grantor trust to cover unemployment insurance claims. Restricted cash represents the Council's estimated cash balance at September 30, 2020 and 2019, for eligible unemployment insurance claims. If claims exceed payments into the trust the Council could become liable for those claims.

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

**NOTE 11 – FISCAL AGENT AGREEMENT**

**Lakes Media Foundation**

The Council acts as a fiscal agent for Lakes Media Foundation. During 2020 and 2019 the Council collected \$0 and \$359 and disbursed \$0 and \$359, respectively, on behalf of the Lakes Media Foundation. At September 30, 2020 and 2019, there was \$3,293 and \$3,293, respectively of remaining unexpended funds.

**NOTE 12 – RECLASSIFICATIONS**

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

**NOTE 13 – RISKS AND UNCERTAINTIES**

On March 13, 2020, a national emergency was declared for COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Council may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial statement effect on the Council's financial statements cannot be determined at this time.

**NOTE 14 – SUBSEQUENT EVENTS**

In December 2020, the Council was awarded an additional \$1,730,500 from Minnesota Finance Housing Authority for CARES Housing Assistance Program (CHAP funding).

In April 2021, the Council was awarded an additional \$250,000 from Minnesota Finance Housing Authority for COVID-19 Emergency Rental Assistance Program (CERA funding).

In April 2021, the Council was awarded \$88,786 from the Department of Health and Human Services for COVID Head Start funding.

In May 2021, the Council was awarded \$352,968 from the Department of Health and Human Services for American Rescue Plan Head Start funding.

The Council has evaluated subsequent events through July 23, 2021, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**Lakes & Pines Community Action Council, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

Federal Grantors/Pass-Through Grantor/Program or Cluster Title/Project Name	CFDA Number	Pass - Through Entity Identification Number	Provided to Subrecipients	Federal Expenditures
<b>U. S. Department of Agriculture</b>				
Pass-through from Minnesota Department of Human Services				
Supplemental Nutrition Assistance Program Employment and Training	10.537	GRK%133440	\$ -	\$ 63,808
Pass-through from Minnesota Department of Education				
Child and Adult Care Food Program	10.558	2MN300061	-	18,676
Child and Adult Care Food Program	10.558	2MN300061	-	1,118
Total Child and Adult Care Food Program			-	19,794
Pass-through from Minnesota Department of Human Services				
SNAP Cluster				
Supplemental Nutrition Assistance Program Outreach	10.561	GRK%162932	-	111,063
Total SNAP Cluster			-	111,063
Total U. S. Department of Agriculture			-	194,665
<b>U. S. Department of Housing and Urban Development</b>				
Direct				
Continuum of Care Program				
HUD COC	14.267		-	29,661
HUD RRH COC 19/20	14.267		-	103,851
HUD Reallocation 19/20	14.267		-	40,908
HUD 19/20	14.267		-	92,176
HUD DV 20/21	14.267		-	5,442
Total Continuum of Care Program			-	272,038
Total U. S. Department of Housing and Urban Development			-	272,038
<b>U. S. Department of Internal Revenue Service</b>				
Direct				
Volunteer Income Tax Assistance	21.009		-	18,700
Pass-through from Isanti County				
COVID-19 Isanti County Cares Act	21.019	N/A	-	6,288
Pass-through from Pine County				
COVID-19 Pine County Cares Act	21.019	N/A	-	31,266
Pass-through from MN Housing Finance Agency				
COVID-19 Housing Assistance Program	21.019	N/A	-	158,752
Total Coronavirus Relief Fund			-	196,306
Total U.S. Department of Internal Revenue Service			-	215,006
<b>U. S. Department of Energy</b>				
Pass-Through from Minnesota Department of Commerce				
Weatherization Assistance for Low-Income Persons:				
DOE Weatherization 19/20	81.042	DE-EE0007928	-	410,140
DOE Weatherization 20/21	81.042	DE-EE0007928	-	163,198
Total Weatherization Assistance for Low-Income Persons:			-	573,338
Total U. S. Department of Energy			-	573,338
<b>U. S. Department of Health And Human Services</b>				
Pass-Through from Central MN Council & Aging				
Aging Cluster				
Title III - Sr. Chore Services	93.044	315-19-003B-012	-	90
Total Aging Cluster			-	90
National Family Caregiver Support				
Title III E - Adult Respite 2019	93.052	315-19-003E-012	-	19,637
Title III E - Adult Respite 2020	93.052	315-20-003E-012	-	12,944
Total National Family Caregiver Support			-	32,581

**Lakes & Pines Community Action Council, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

Federal Grantors/Pass-Through Grantor/Program or Cluster Title/Project Name	CFDA Number	Pass - Through Entity Identification Number	Provided to Subrecipients	Federal Expenditures
<b>U. S. Department of Health And Human Services (Continued)</b>				
Pass-Through from Minnesota Department of Commerce				
Low-Income Home Energy Assistance				
EAP/WX A2110 Carryover	93.568	19B1MNLIEA	\$ -	\$ 310,958
EAP/WX A2111 Carryover	93.568	20B1MNLIEA	-	6,896
EAP 2020	93.568	1563	-	1,544,172
EAP - Direct Payments from State	93.568	N/A	-	5,756,278
Total Low-Income Home Energy Assistance			<u>-</u>	<u>7,618,304</u>
Pass-Through from Minnesota Department of Health and Human Services				
Community Services Block Grant				
CSBG 2017-2019	93.569	GRK%127520	-	58,801
CSBG 2020-2021	93.569	GRK%160081	-	267,908
CSBG Discretionary	93.569	GRK%141669	-	5,061
CSBG Discretionary	93.569	177270	-	3,672
COVID-19 CSBG	93.569	177898	-	60,024
Total Community Services Block Grant			<u>-</u>	<u>395,466</u>
Direct				
Head Start Cluster				
Early Head Start 'X'	93.600		-	2,433,675
Head Start 'X'	93.600		-	460,956
Tri County Community Action Partnership FY2021	93.600		-	7,968
Tri County Community Action Partnership FY2020	93.600		-	14,492
COVID-19 Head Start FY21	93.600		-	999
Total Head Start Cluster			<u>-</u>	<u>2,918,090</u>
Total U. S. Department of Health and Human Services			<u>-</u>	<u>10,964,531</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 12,219,578</u>



**Lakes and Pines Community Action Council, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

**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, 2020. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Lakes and Pines Community Action Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting, which conforms to accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**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 allowed under the Uniform Guidance.

**NOTE 4 – ENERGY ASSISTANCE PAYMENTS**

The Council assists the State of Minnesota with eligibility determinations for the LIHEAP program. Client benefits for LIHEAP eligible participants are subsequently paid directly by the State of Minnesota. For the year ended September 30, 2020, client benefits are in the amount of \$5,756,278, 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.

**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***

**Independent Auditor's Report**

To the 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, which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated July 23, 2021.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*BergankDV, Ltd.*

St. Cloud, Minnesota  
July 23, 2021

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

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited Lakes and Pines Community Action Council, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended September 30, 2020. The Council's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

## **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

## **Council's Response to Findings**

The Council's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express opinion on the response.

### **Purpose of Report**

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

*BergankDV, Ltd.*

St. Cloud, Minnesota  
July 23, 2021

**Lakes and Pines Community Action Council, Inc.  
Schedule of Findings and Questioned Costs**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, 2020-001
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

**Identification of Major Federal Programs**

CFDA No.:	93.568
Name of Federal Program or Cluster	Low-Income Home Energy Assistance
Name of Federal Program or Cluster	21.019 Coronavirus Relief Fund
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low-risk auditee?	No

**Lakes and Pines Community Action Council, Inc.**  
**Schedule of Findings and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Significant Deficiency**

**U.S. Department of Health and Human Services  
Pass-Through State of Minnesota Department of Commerce  
CFDA 93.568  
Low-Income Home Energy Assistance**

**Audit Finding 2020-001 – Eligibility (Repeat Finding 2019-002)**

*Criteria or specific requirement:*

Uniform Guidance in 2 CFR Part 200.303 states that "the non-Federal entity must: establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

*Condition/Context:*

During the audit, it was noted that the same employee that prepared and logged the information regarding eligibility also submitted the information into the eHEAT system. Of the 40 participants that were selected for testing, 5 did not have independent review and approval of eligibility documentation inputted into the eHEAT system.

The sample was not statistically valid.

*Cause:*

During the summer of 2020, the Council was not fully staffed for this program.

*Effect or potential effect:*

Services could be provided to individuals that were not eligible.

*Questioned costs:*

None

*Recommendation:*

The Council should review its policies and procedures to ensure there are adequate controls in place over eligibility determination, including during the summer months.



**Lakes and Pines Community Action Council, Inc.**  
**Schedule of Findings and Questioned Costs**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Significant Deficiency (Continued)**

**U.S. Department of Health and Human Services**  
**Pass-Through State of Minnesota Department of Commerce**  
**CFDA 93.568**  
**Low-Income Home Energy Assistance**

**Audit Finding 2020-001 – Eligibility (Repeat Finding 2019-002) (Continued)**

*Views of responsible officials:*

The Low-Income Energy Assistance Program is only fully staffed during peak application time mid-August through May or June, due to limitations of administrative dollars. During that time, a dual verification method is used throughout the application process to assure segregation of duties. Similar segregation is maintained during the off-peak season however, when staffing is limited to two or three individuals, availability of staff may be limited due to leave (sick, annual or other). In situations such as this, applications are held for proper segregation with the exception of emergency applications. In this case the sole individual available will process and enter the application to assure the household health and safety.