

Inter-Lakes Community Action Partnership, Inc.

Madison, South Dakota

Financial Statements and Supplementary Information
Year Ended September 30, 2015

Inter-Lakes Community Action Partnership, Inc.

Financial Statements and Supplementary Information
Year Ended September 30, 2015

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Independent Auditor's Report

Board of Directors
Inter-Lakes Community Action Partnership, Inc.
Madison, South Dakota

Report on Financial Statements

We have audited the accompanying financial statements of Inter-Lakes Community Action Partnership, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-Lakes Community Action Partnership, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and list of programs, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. 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 our report dated January 20, 2016, on our consideration of Inter-Lakes Community Action Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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 Inter-Lakes Community Action Partnership, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

January 20, 2016
Minneapolis, Minnesota

Inter-Lakes Community Action Partnership, Inc.

Statement of Financial Position September 30, 2015

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,447,579
Investments	485,917
Grants receivable	519,762
Accounts receivable	133,021
Other assets	137,142
Total current assets	2,723,421
Restricted cash and deposits:	
Custodial cash	213,959
Cash reserves	10,472
Certificate of deposit	26,690
Total restricted cash and deposits	251,121
Property and equipment, net	3,852,972
Total assets	\$ 6,827,514
Liabilities and Net Assets	
Liabilities:	
Notes payable, current	\$ 25,505
Accounts payable	221,181
Accrued payroll and related expenses	709,753
Grant funds received in advance	130,277
Rent repayable	23,681
Funds held for others	213,959
Total current liabilities	1,324,356
Notes payable, long-term	978,848
Total liabilities	2,303,204
Net assets:	
Unrestricted	3,158,208
Temporarily restricted	641,376
Permanently restricted	724,726
Total net assets	4,524,310
Total liabilities and net assets	\$ 6,827,514

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Activities

Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Prior year's grant funds received in advance	\$ 0	\$ 112,494	\$ 0	\$ 112,494
Current year grant awards	0	9,146,839	15,071	9,161,910
Grant funds received in advance	0	(130,277)	0	(130,277)
Net grant revenue	0	9,129,056	15,071	9,144,127
Commodity foods received	0	2,034	0	2,034
Program income	0	572,238	0	572,238
Investment income (loss)	(20,051)	60	0	(19,991)
In-kind revenue	0	163,474	0	163,474
Contribution revenue	34,650	4,800	0	39,450
Other income	0	549,255	0	549,255
Net assets released from restriction through satisfaction of program restrictions	10,441,420	(10,441,420)	0	0
Total revenue	10,456,019	(20,503)	15,071	10,450,587
Expenses:				
Program Services:				
Early Childhood Education	3,820,976	0	0	3,820,976
Food Program	1,274,083	0	0	1,274,083
Community Service	1,255,947	0	0	1,255,947
Weatherization Assistance	588,353	0	0	588,353
Housing Programs	627,594	0	0	627,594
Homeless Assistance Programs	850,257	0	0	850,257
Transit Programs	414,252	0	0	414,252
Emergency Services	38,518	0	0	38,518
Discretionary	62,903	0	0	62,903
Total program services	8,932,883	0	0	8,932,883
Management and general	1,273,670	0	0	1,273,670
Fund-raising	14,195	0	0	14,195
Total expenses	10,220,748	0	0	10,220,748
Change in net assets	235,271	(20,503)	15,071	229,839
Net assets - Beginning of year	2,922,937	661,879	709,655	4,294,471
Net assets - End of year	\$ 3,158,208	\$ 641,376	\$ 724,726	\$ 4,524,310

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Functional Expenses

Year Ended September 30, 2015

	Program Services										Management and General	Fund Raising	Total
	Childhood Education	Food Program	Community Services	Weatherization Energy Assistance	Housing Programs	Homeless Shelter Programs	Transit Programs	Emergency Services	Discretionary	Total			
Personnel	\$ 2,794,114	\$ 349,534	\$ 884,059	\$ 136,493	\$ 288,730	\$ 353,066	\$ 294,520	\$ 1,158	\$ 5,960	\$ 5,107,634	\$ 1,024,709	\$ 4,736	\$ 6,137,079
Consultants and contract labor	134,701	6,137	13,160	1,678	4,302	10,254	2,771	0	257	173,260	48,181	259	221,700
Travel	30,196	7,214	24,964	6,094	15,096	8,558	24,793	0	9,938	126,853	24,919	302	152,074
Rent	61,988	6,823	39,616	3,327	7,553	560	1,581	0	169	121,617	28,095	330	150,042
Consumable supplies	89,240	7,068	49,132	1,488	7,151	6,194	4,034	0	445	164,752	31,132	194	196,078
Direct Client Assistance	20,891	857,695	108,602	406,309	266,360	252,517	0	37,360	658	1,950,392	0	0	1,950,392
Repairs/maintenance	121,189	10,854	15,748	2,762	2,281	85,477	40,820	0	5,361	284,492	8,907	0	293,399
In-kind expense	163,474	0	0	0	0	0	0	0	0	163,474	0	0	163,474
Interest	38,028	0	0	0	0	0	0	0	0	38,028	0	0	38,028
Depreciation	138,343	3,002	2,547	12,326	2,168	47,427	349	0	12,000	218,162	1,679	0	219,841
Commodity foods distributed	0	2,034	0	0	0	0	0	0	0	2,034	0	0	2,034
Other/program support	228,812	23,722	118,119	17,876	33,953	86,204	45,384	0	28,115	582,185	106,048	8,374	696,607
Total functional expenses	\$ 3,820,976	\$ 1,274,083	\$ 1,255,947	\$ 588,353	\$ 627,594	\$ 850,257	\$ 414,252	\$ 38,518	\$ 62,903	\$ 8,932,883	\$ 1,273,670	\$ 14,195	\$ 10,220,748

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Cash Flows

Year Ended September 30, 2015

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Cash flows from operating activities:	
Change in net assets	\$ 229,839
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Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	219,841
Contribution of land	(34,650)
Contribution of bus	(4,800)
Loss on disposal of property and equipment	2,573
Insurance proceeds for asset replacement	(2,857)
Unrealized realized loss on investments	20,947
Changes in operating assets and liabilities:	
Grants receivable	48,036
Accounts receivable	(39,111)
Other assets	(96,130)
Accounts payable	43,353
Accrued payroll and related expenses	75,592
Grant funds received in advance	17,783
Rent repayable	(16,271)
Funds held for others	34,109
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Net cash provided by operating activities	498,254
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Cash flows from investing activities:	
Purchase of property and equipment	(320,851)
Purchase of investments	(102,907)
Proceeds from sale of investments	114,261
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Net cash used in investing activities	(309,497)
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Cash flows from financing activities:	
Principal payments on notes payable	(24,611)
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Net increase in cash and cash equivalents	164,146
Cash and cash equivalents - Beginning of year	1,507,864
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Cash and cash equivalents - End of year	\$ 1,672,010
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Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 1,447,579
Custodial cash	213,959
Cash reserves	10,472
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Cash and cash equivalents per Statement of Net Assets	\$ 1,672,010
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Supplemental schedule of noncash activities:	
Interest paid	\$ 38,028
Land donated	34,650
Bus donated	4,800

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Organization

Inter-Lakes Community Action Partnership, Inc. (“ICAP” or the “Organization”) was organized as a nonprofit corporation in 1966. ICAP was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs. The recipients of these programs are in Clark, Codington, Grant, Hamlin, Deuel, Kingsbury, Brookings, Miner, Lake, Lincoln, Moody, McCook, Minnehaha, and Turner counties in South Dakota. ICAP is primarily supported through federal grants, which comprise 77% of total revenue.

Program Services

Childhood Education

Childhood education includes providing services to pregnant mothers, low-income children and children with disabilities ages 0-5. Emphasis is placed on physical and intellectual development, nutrition, health and social relationships. The program offers center-based and home-based options.

Food Program

The food program for 60’s Plus Dining offers persons age 60 and above a balanced meal to help senior adults remain healthy and independent through good nutrition. Both home-delivered and congregate dining sites are available. Under the food program for Early Childhood, children enrolled in the program receive funding for a nutritious and balanced breakfast, lunch, and snack.

Community Services

The community services programs offer persons of all ages services to meet their needs, including assistance with money management, income tax assistance, savings plans, nutrition, oral health, safety, school supplies, youth recreation, clothing, emergency services, and homelessness. Information and referral services to other federal, state, local and private programs and services are provided to individuals to meet their needs more effectively. Community services programs promote self-sufficiency by identifying the participant’s goals, the activities and resources needed to reach those goals, and the timeline for doing so.

Weatherization Energy Assistance

The weatherization assistance program helps low-income households offset the high cost of energy through conservation. Contract labor and materials are supplied to qualified households at no cost. Weatherization measures include weather-stripping around doors and windows; caulking and sealing cracks and holes in the structure of the building; insulating attics, walls and floors; installing windows; repair, tune-up or replacement of nonfunctional furnaces; and assistance in meeting health and safety requirements.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Housing Programs

The housing programs provide no-interest home repair loans to low-income households, offer information and knowledge about purchasing a home, teach homeowners how to rehab their existing home, offer families an opportunity to work with other families to build their own new home, help families with children who have a poor rental history obtain a safe and affordable home, offer education and counseling to families who want to purchase a home, and provide security deposit assistance.

Homeless Shelter Programs

The Transitional Housing Program provides homeless families with children an affordable housing unit with intensive case management services including educational activities that are aimed at assisting the participating families to move toward economic and social self-sufficiency. The transitional housing program has 46 units available. Another program provides security deposit and first month rent payments for extremely low and very low-income households that are homeless or in danger of becoming homeless, so that they may obtain housing that is affordable, decent, safe and sanitary.

Transit Programs

Transit programs help low-income and elderly persons travel to needed services. ICAP offers public transit to all persons regardless of age. Rides are available on a demand-response basis.

Emergency Services

Emergency services provide a variety of emergency needs focusing on utility, housing, and subsistence costs. Services payments include past due rent, mortgage, utility, food, and personal care items.

Discretionary

Discretionary funds are non-federal agency funds that are used for investments, startup of programs, expenses not eligible for other grants, loss on sale of fixed assets, and other costs that do not have a funding source.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Cash and Cash Equivalents

Cash equivalents are all highly liquid financial instruments with original maturity of three months or less, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Receivables and Credit Policies

Receivables represent uncollateralized amounts due to ICAP for expenditures paid but not yet reimbursed. Grants receivable represent amounts due from federal funding sources.

Accounts receivable consist primarily of non-federal grants/awards. ICAP considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. Accounts receivable are written off when deemed uncollectible.

Property and Equipment

Land, buildings, and equipment purchased by ICAP are recorded at cost. ICAP follows the practice of capitalizing all expenditures for land, buildings and equipment greater than \$5,000. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets:

Furniture and equipment	3 to 7 years
Transportation vehicles	5 to 7 years
Buildings and improvements	5 to 40 years

ICAP reviews the carrying values of property and equipment for impairments whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition. When property or equipment is considered impaired, an impairment loss is recognized to the extent that carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended September 30, 2015.

Property and equipment purchased with grant funds are owned by ICAP while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Their disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations. The property and equipment purchased with grant funds are normally restricted for use in specific programs operated by the Organization.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Net Assets

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

Unrestricted net assets - Net assets that are neither permanently restricted nor temporarily restricted and are available for use in general operations. Thus, they include all net assets whose use has not been restricted by donors or by law.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met by expenditures or actions of ICAP and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets - Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of ICAP. The restrictions stipulate that these resources be maintained permanently.

Revenue and Grant Funds Received in Advance

Grants are conditional awards and are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related expenses are incurred. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Amounts received or receivable in excess of expenses are reflected as grant funds received in advance.

Contribution Revenue

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets, which are reclassified to unrestricted net assets at the point when a stipulated time restriction ends or a purpose restriction is accomplished.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to ICAP's program services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. The requirements of accounting principals generally accepted in the United States (GAAP) are different than the in-kind requirements of several of ICAP's grants. ICAP received contributions of nonprofessional volunteers during the year with a value of \$1,072,676 for its Head Start Pre-Birth to Five and Volunteer Income Tax Assistance programs which are not recorded on the statement of activities.

ICAP has recorded in-kind contributions for space, supplies, and professional services on the statement of activities in accordance with GAAP. Donated space does not exceed the fair value of comparable space as established by an independent appraisal of comparable space and facilities in a privately owned building in the same area. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at rates for similar work in the labor market in South Dakota, including fringe benefits that are similar to ICAP's.

Cost Allocations

The costs of program and supporting services 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all ICAP programs, which cannot be readily identified with the final cost objective. Cost allocation methods are as follows:

Personnel

ICAP personnel duties are allocated based on a percentage of staff hours worked per program per month. The staff wages that can be directly allocated to a specific program are charged to that program. The finance duties are allocated based on the number of transactions completed per program as a percentage of total transactions.

Space Costs

Space costs (maintenance, insurance, etc.) are allocated based on the number of square feet of space each program occupies.

Other Joint Costs

Other joint costs are charged to ICAP programs based on the amounts used by each program or other appropriate methodology.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

ICAP is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). The entity is annually required to file a Return of Organization Exempt From Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities which are unrelated to their exempt purposes. The entity files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and disclosures during the reporting period. Accordingly, actual results could differ from those estimates and those differences could be material.

Concentrations of Credit Risk

Credit risk associated with receivables is considered to be limited due to a substantial portion of the outstanding amounts primarily due from various federal, state, and local grant programs. Management anticipates collecting the receivables from the various grant programs within the next twelve months.

ICAP maintains cash balances at various banks where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. These financial institutions are believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, ICAP has not experienced losses in any of these accounts. In addition, investments held by ICAP are not insured. Investment performance is monitored by management and the Investment Committee of the Board of Directors.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Organization measures the fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements). The Organization determines fair value by as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active market that the Organization has the ability to access, and where transactions occur within.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology reflect management's assumptions about significant unobservable inputs that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Subsequent Events

Subsequent events have been evaluated through January 20, 2016, which is the date the financial statements were available to be issued.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 2 Investments

ICAP maintains investment funds with a bank in Sioux Falls, South Dakota. Investments are stated at fair value. As of September 30, 2015, investments consisted of the following:

	Cost	Fair Value	Cumulative Unrealized Gain (Loss)
Money market funds (cash and cash equivalents)	\$ 298,386	\$ 298,386	\$ 0
Mutual funds	253,765	257,081	3,316
Fixed income securities	243,335	228,836	(14,499)
<u>Totals</u>	<u>\$ 795,486</u>	<u>\$ 784,303</u>	<u>\$ (11,183)</u>

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Net investment loss for the year ended September 30, 2015, is summarized as follows:

Interest and dividends	\$ 3,975
Investment fees	(3,019)
<u>Net investment losses</u>	<u>(20,947)</u>
<u>Net investment loss</u>	<u>\$ (19,991)</u>

ICAP follows an investment policy to maintain an investment portfolio consisting of certain percentages of equity securities, fixed-income securities, and cash or cash equivalents.

Note 3 Restricted Cash and Deposits

Custodial Cash - ICAP participates in a mutual self-help program and is the custodial agent for low income individuals who have been awarded a construction loan or mortgage from USDA Rural Development. The Organization holds the funds in a custodial bank account for the homeowner and issues checks on the homeowner's behalf when needed for pre-construction and construction payments. The balance was \$213,959 on September 30, 2015.

Cash reserves – Under the terms and conditions of the USDA Rural Development note payable, ICAP is required to make monthly deposits of \$476 until there is an accumulated sum of \$57,120. With prior written approval of Rural Development, funds may be withdrawn to pay the cost of repairing or replacing any damage to the facility which may have been caused by catastrophe, or making extensions or improvements to the facility. The balance at September 30, 2015, was \$10,472.

Certificate of deposit - The Organization pledged a certificate of deposit to guarantee loan payments that are payable over the next three years. The balance at September 30, 2015 was \$26,690.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 4 Property and Equipment

Property and equipment consisted of the following at September 30, 2015:

Land	\$ 417,506
Land improvements	28,050
Vehicles	997,608
Buildings	3,322,804
Equipment and fixtures	647,525
Construction in process	332,989
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	5,746,482
Accumulated depreciation	(1,893,510)
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Property and equipment, net	\$ 3,852,972

Construction in process consisted of architecture fees paid on ICAP's office building in the amount of \$79,630, as well as \$253,359 of expenses incurred on the remodeling project for the Heartland House.

Note 5 Funds Held for Others

The Organization holds funds in a custodial bank account for the homeowner and issues checks on the homeowner's behalf when needed for pre-construction and construction payments. The balance was \$213,959 on September 30, 2015.

Note 6 Notes Payable

The Organization had the following notes payable as of September 30, 2015:

Note payable in the amount of \$1,024,000 to USDA Rural Development at 3.75%, with monthly payments including principal and interest of \$4,752, due November 2043, collateralized by real estate.	\$988,239
Note payable in the amount of \$26,690 to First Bank & Trust at 3.18%, with annual payments including principal and interest of \$5,723, due February 2018, collateralized by a certificate of deposit.	16,114
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Total notes payable	1,004,353
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Current maturities of notes payable	25,505
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Long-term maturities of notes payable	\$978,848

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 6 Notes Payable (Continued)

For years ended September 30, future scheduled maturities of notes payable are as follows:

2016	\$	25,505
2017		26,445
2018		27,398
2019		22,706
2020		23,573
Thereafter		878,726
<hr/>		
Total	\$	1,004,353

Interest expense for the year ended September 30, 2015, was \$38,028.

Note 7 Lease Obligations

ICAP leases office equipment and various facilities for operation of its programs through 2020. The total future minimum rental commitment under these lease agreements (which are considered operating leases) is \$231,387 and will be allocated to available programs based on usage. Lease agreements with ICAP are subject to adequate annual funding levels of ICAP. Rent/lease expense for the year ended September 30, 2015, was \$166,945.

Minimum lease payments for operating leases in future years are as follows:

2016	\$	131,601
2017		40,433
2018		26,988
2019		24,365
2020		8,000
<hr/>		
Net minimum lease payments	\$	231,387

Note 8 Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2015, consisted of the following:

Housing Assistance Council (HAC) – SHOP 2010	\$	202,500
Housing Assistance Council (HAC) – SHOP 2011		81,000
Transitional Living – Federal Home Loan Bank (FHLB) Heartland House I		22,000
Transitional Living – HUD – Heartland House II		315,000
South Dakota Development Housing Authority		20,876
<hr/>		
Total	\$	641,376

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 8 Temporarily Restricted Net Assets (Continued)

ICAP received a loan from HAC for purchasing and developing 15 units (SHOP 2010) and 4 units (SHOP 2011) for single-family housing. As long as 100% of the funds are used for this purpose, the interest rate is 0%; however, if less than 100% are used for this purpose, quarterly interest payments equal to the sum of HAC's then prevailing interest rate for non-profit borrowers and the Prime Rate on the outstanding loan balance from the date the unit is sold (Penalty Interest Rate) will be due. The loan includes an initial discounted service charge of 1% of the loan. If the units are completed and occupied by the dates set by HAC in the loan agreements, HAC may forgive up to 90% of the note, less the service charge. HAC will make a determination on the eligibility of the forgivable portion of the loan for any units completed and occupied after September 30, 2015. The note balances of \$202,500 (SHOP 2010) and \$81,000 (SHOP 2011) is recorded as temporarily restricted net assets.

ICAP acquired Heartland House, an apartment complex, to provide shelter to homeless individuals and families in Sioux Falls, South Dakota, and the surrounding area. The financing for this project was provided from three sources:

The first source is the U.S. Department of Housing and Urban Development (HUD) under the Transitional Housing Program. The grant of \$238,786 relates to the acquisition and rehabilitation of Heartland House. The repayment of this entire amount will be required if the organization discontinues the project within the first ten years. In years 11 through 20, 10% of the amount will be forgiven per year. Should the organization continue the project for the full 20 years, the entire amount would be forgiven. During the year ended September 30, 2015, \$23,878 of principal was forgiven, and the note balance has been fully forgiven.

The second source is a forgivable loan from the Federal Home Loan Bank (FHLB) for \$60,000, under which, as long as the organization is in compliance with its application, \$2,000 of principal will be forgiven each year for up to 30 years. If the organization disposes of the property any time prior to the end of 30 years, the remaining principal and accrued interest at 10% would be due. During the year ended September 30, 2015, \$2,000 of principal was forgiven. The note balance of \$22,000 is recorded as temporarily restricted net assets.

The third source is a no interest permanent note from the City of Sioux Falls for \$250,355, which is required to be repaid in its entirety if the property is ever conveyed or relinquished by the Organization or if the agreement is ever terminated for noncompliance. This note is recorded as permanently restricted net assets.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 8 Temporarily Restricted Net Assets (Continued)

In a prior year, ICAP acquired a general partnership interest in Cumberland Apartments II Limited Partnership, an apartment complex, to provide shelter to homeless individuals and families in Sioux Falls, South Dakota, and the surrounding area. The partnership, which operated as Heartland House II, was dissolved in fiscal year 2012, when ICAP became the 100% owner. The original financing for this project was provided from the following sources:

The first source is the U.S. Department of Housing and Urban Development (HUD) under the Transitional Housing Program. The grant of \$350,000 related to the acquisition of the general partnership interest of Cumberland Apartments II Limited Partnership. The repayment of this entire amount will be required if the organization discontinues the project within the first ten years. In years 11 through 20, 10% of the amount will be forgiven per year. Should the organization continue the project for the full 20 years, the entire amount would be forgiven on December 24, 2023. During the year ended September 30, 2015, \$35,000 of principal was forgiven. The note balance of \$315,000 is recorded as temporarily restricted net assets.

The second source is a 0% mortgage note payable to the City of Sioux Falls in the amount of \$350,000, which is required to be repaid in its entirety if the property is ever conveyed or control relinquished by the Organization or if the agreement is ever terminated for noncompliance. This note is recorded as permanently restricted net assets. See Note 9 below.

ICAP received funding for a Heartland House remodel project in 2015. Through South Dakota Development Authority, a loan from Housing Opportunity Fund Allocation Plan was received in the amount of \$100,000. The payment is deferred unless Heartland House ceases to be operated and maintained as a transitional housing program during the period of affordability, at which time the remaining balance shall be due and payable, together with all other fees and amounts then owing SDHDA and further payment is deferred until expiration of the period of affordability at which time any amount, then outstanding, will be forgiven. The period of affordability shall expire upon the occurrence of the later of: (i) 10 years from the placed in service date or (ii) the satisfaction of the indebtedness and all of the borrower's other obligations under the loan documents and the due recordation of the release of the security instrument. During the year ended September 30, 2015, \$20,876 of the loan was placed in service.

Note 9 Permanently Restricted Net Assets

In prior years, ICAP received several Community Development Block Grants from the City of Sioux Falls to purchase land and buildings. They are in the form of zero percent notes payable with mortgages on the property. The total amount of the grants accumulated through September 30, 2015, was \$600,355 (see Note 8). The remaining permanently restricted net assets in the amount of \$124,371 represent various smaller notes payable to the City of Sioux Falls at zero percent interest. All of the notes are due upon noncompliance with the intended purpose of the funds, as defined in the agreement, or upon sale of the property otherwise required to be held in perpetuity. Since the probability of repaying the notes is considered remote, the grants have been recognized as permanently restricted net assets.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 10 Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and fixed income securities are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, with the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at September 30, 2015:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$0	\$298,386	\$0	\$298,386
Mutual funds:				
Asset allocation	59,883	0	0	59,883
Emerging markets	19,069	0	0	19,069
International bonds	53,284	0	0	53,284
Large blend	22,312	0	0	22,312
Large growth	27,003	0	0	27,003
Market neutral	17,463	0	0	17,463
Large Value	21,679	0	0	21,679
Mid-cap value	15,298	0	0	15,298
Small value	21,090	0	0	21,090
Fixed income securities:				
High yield	32,773	0	0	32,773
Intermediate bonds	166,702	0	0	166,702
Corporate bonds	29,361	0	0	29,361
Totals	\$485,917	\$298,386	\$0	\$784,303

Note 11 Commitments and Contingencies

ICAP participates in a number of federally assisted and state grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any disallowed costs may constitute a liability of ICAP. ICAP is also required to match 20% of the total grantee budget for Head Start program, or 25% of the total federal funds, with local resources. ICAP believes that it is in substantial compliance with all grant requirements, including those related to matching, and disallowed costs, if any, would not be significant.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 11 Commitments and Contingencies (Continued)

ICAP has entered into a contract for architecture services related to renovation of a building. The total cost of this contract is \$23,440, and at September 30, 2015, the total obligation remaining under this contract was \$921.

Note 12 Community Foundation

ICAP is the beneficiary of an endowment funds with the Sioux Falls Area Community Foundation (the "Foundation") for the Partnership to Raise Community Capital drive. Donors have contributed funds to be placed in a designated endowment in the name of Heartland House, a transitional housing project that is run by ICAP. The Foundation has total variance power over all of the funds received; in addition, all donations are irrevocable. Annually, ICAP has the option to receive 4% of the average balance in the fund over the previous eight quarters. During the year ended September 30, 2015, ICAP received \$14,069 from the fund, recorded as other income. As of September 30, 2015, the balance of these funds with the Foundation was \$331,387, and is not recorded on ICAP's financial statements.

Note 13 Tax-Deferred Annuity Plan

During the year ended September 30, 2015, ICAP made contributions into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees who have been employed by ICAP for six months, work a minimum of 500 hours, and are scheduled to work 20 or more hours per week. Employees can elect to make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. ICAP will match employee contributions of 3% of the employee's annual salary after they have been employed 6 months. Employees are 100% vested after one year of service. ICAP made employer contributions of \$108,524 to the plan for the year ended September 30, 2015.

Note 14 Grant Awards

At September 30, 2015, ICAP had commitments under various grants of \$4,395,469. These commitments are not recognized in the accompanying financial statements, as they are conditional awards.

Supplementary Information

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs Year Ended September 30, 2015

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Program Period	Federal Expenditures
DEPARTMENT OF AGRICULTURE				
Rural Self-Help Rehabilitation Technical Assistance 12 County - Grant #37	10.420	U.S.D.A. Rural Development Department	12/28/2012 - 03/31/2015	\$ 76,661
Rural Self-Help Rehabilitation Technical Assistance 12 County - Grant #39		U.S.D.A. Rural Development Department	03/31/2015 - 03/31/2017	96,279
Rural Self-Help Housing Technical Assistance - 14 County - Grant # 35		U.S.D.A. Rural Development Department	10/01/2011 - 12/31/2015	127,626
Rural Self-Help Housing Technical Assistance - 14 County - Grant # 40		U.S.D.A. Rural Development Department	09/01/2015 - 08/31/2017	6,970
		Total Federal Expenditures CFDA 10.420		307,536
Child and Adult Care Food Program - U.S.D.A. Reimbursement	10.558	South Dakota Department of Education and Cultural Affairs	07/01/2014 - 06/30/2015	126,221
Child and Adult Care Food Program - U.S.D.A. Reimbursement		South Dakota Department of Education and Cultural Affairs	07/01/2014 - 09/30/2015	24,159
		Total Federal Expenditures CFDA 10.558		150,380
The Emergency Food Assistance Program (TEFAP)	10.569	South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services	07/01/2014 - 06/30/2016	2,034
		Total Department of Agriculture		459,950
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Housing Counseling Assistance Program HC140841005	14.169	South Dakota Housing Development Authority	10/01/2013 - 03/30/2015	1,000
Housing Counseling Assistance Program HC150841004		South Dakota Housing Development Authority	10/01/2014 - 03/31/2016	6,480
		Total Federal Expenditures CFDA 14.169		7,480
Community Development Block Grant Bright Futures - TRBA 14-4176	14.218	Sioux Falls Community Development	08/01/2014 - 07/31/2015	57,665
Community Development Block Grant Bright Futures - TRBA 15-4164		Sioux Falls Community Development	08/01/2015 - 07/31/2016	15,013
		Total Federal Expenditures CFDA 14.218		72,678

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2015

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Program Period	Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)				
Emergency Solutions Grant Program E-14-DC-46-0001-23	14.231	South Dakota Housing Development Authority	07/18/2014 - 01/17/2016	\$ 30,278
Emergency Solutions Grant Program E-13-DC-46-0001-20		South Dakota Housing Development Authority	10/01/2014 - 07/02/2015	<u>32,243</u>
		Total Federal Expenditures CFDA 14.231		<u>62,521</u>
HOME Investment Partnership Program - Homeless Assistance 14-4175	14.239	City of Sioux Falls	08/01/2014 - 07/31/2015	26,633
HOME Investment Partnership Program - Homeless Assistance 15-4163		City of Sioux Falls	08/01/2015 - 07/31/2016	2,296
HOME Investment Partnership Program - Heartland House Remodel 14-4242		City of Sioux Falls	12/03/2014 - 12/01/2015	133,155
HOME Investment Partnership Program - Home Rehabilitation		South Dakota Housing Development Authority	09/17/2013 - 12/31/2014	71,642
HOME Investment Partnership Program - Home Rehabilitation		South Dakota Housing Development Authority	09/09/2014 - 12/31/2015	124,381
HOME Investment Partnership Program - Security Deposit Assistance Program		South Dakota Housing Development Authority	10/08/2014 - 10/31/2015	11,000
HOME Investment Partnership Program - Security Deposit Assistance Program		South Dakota Housing Development Authority	07/01/2015 - 07/01/2016	<u>5,911</u>
		Total Federal Expenditures CFDA 14.239		<u>375,018</u>
Self-Help Homeownership Opportunity Program 1-1524-1202	14.247	Department of Housing and Urban Development	02/03/2012 - 12/31/2015	<u>30,000</u>
Continuum of Care Program - Heartland Transitional House SD0006L8T001305	14.267	Department of Housing and Urban Development	02/01/2014-01/31/2015	107,235
Continuum of Care Program - Heartland Transitional House SD0006L8T001406		Department of Housing and Urban Development	02/01/2015-01/31/2016	254,716
Continuum of Care Program - Heartland Transitional House SD0019L8T001302		Department of Housing and Urban Development	09/01/2014 - 08/31/2015	157,372
Continuum of Care Program - Heartland Transitional House SD0019L8T001403		Department of Housing and Urban Development	09/01/2015 - 08/31/2016	<u>14,994</u>
		Total Federal Expenditures CFDA 14.267		<u>534,317</u>
Total Department of Housing and Urban Development				<u><u>1,082,014</u></u>

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2015

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Program Period	Federal Expenditures
DEPARTMENT OF TRANSPORTATION				
Formal Grants for Rural Areas - Transportation 811287	20.509	South Dakota Department of Transportation	10/01/2014 - 09/30/2015	\$ 49,986
Formal Grants for Rural Areas - Training SD-18-x055-00		South Dakota Department of Transportation	10/01/2014 - 09/30/2015	888
Total Federal Expenditures CFDA 20.509				50,874
Enhanced Mobility of Seniors and Individuals with Disabilities 811352	20.513	South Dakota Department of Transportation	10/01/2014 - 09/30/2015	4,150
Enhanced Mobility of Seniors and Individuals with Disabilities		South Dakota Department of Transportation	10/01/2014 - 09/30/2015	3,840
Total Federal Expenditures CFDA 20.513				7,990
Total Department of Transportation				58,864
DEPARTMENT OF THE TREASURY				
Volunteer Income Tax Assistance VITA Matching Grant Program 15VITA0210	21.009	Northeast South Dakota Community Action Program	07/01/2014 - 06/30/2015	6,831
Total Department of the Treasury				6,831
DEPARTMENT OF ENERGY				
Weatherization Assistance for Low-Income Persons - Weatherization 15-0821-632	81.042	South Dakota Department of Social Services	07/29/2014 - 06/30/2015	331,347
Weatherization Assistance for Low-Income Persons - Weatherization 16-0821-601		South Dakota Department of Social Services	07/01/2015 - 06/30/2016	91,255
Total Federal Expenditures CFDA 81.042				422,602
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers - Transportation 811287	93.044	South Dakota Department of Social Services	10/01/2014 - 09/30/2015	4,631 (1)
Special Programs for the Aging - Title III Part C - Nutrition Services Congregate Dining 15-0832-622	93.045	South Dakota Department of Social Services	06/01/2014 - 05/31/2015	207,882
Special Programs for the Aging - Title III Part C - Nutrition Services Congregate Dining 16-0832-620		South Dakota Department of Social Services	06/01/2015 - 05/31/2016	98,741
Special Programs for the Aging - Title III Part C - Nutrition Services Home Delivered Meals 15-0832-622		South Dakota Department of Social Services	06/01/2014 - 05/31/2015	47,266
Special Programs for the Aging - Title III Part C - Nutrition Services Home Delivered Meals 16-0832-620		South Dakota Department of Social Services	06/01/2015 - 05/31/2016	55,187
Total Federal Expenditures CFDA 93.045				409,076 (1)
Nutrition Services Incentive Program 15-0832-622	93.053	South Dakota Department of Social Services	06/01/2014 - 05/31/2015	77,688
Nutrition Services Incentive Program 16-0832-620		South Dakota Department of Social Services	06/01/2015 - 05/31/2016	41,442
Total Federal Expenditures CFDA 93.053				119,130 (1)

(1) Represents a cluster program as defined by OMB Circular A-133. The federal expenditures represent the amount of federal grant funds expended totaling \$532,837.

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2015

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Program Period	Federal Expenditures
DEPARTMENT OF HEATH AND HUMAN SERVICES (Continued)				
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces 1NAVCA140158-01-00	93.332	U.S. Department of Health and Human Services	09/16/2014 - 09/15/2015	\$ 208,471
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces 1NAVCA150264-01-00		U.S. Department of Health and Human Services	09/02/2015 - 09/01/2016	8,294
		Total Federal Expenditures CFDA 93.332		216,765
Low-Income Home Energy Assistance 15-0821-613	93.568	South Dakota Department of Social Services	07/01/2014 - 06/30/2015	165,510
Low-Income Home Energy Assistance 16-0821-605		South Dakota Department of Social Services	07/01/2015 - 06/30/2016	17,170
		Total Federal Expenditures CFDA 93.568		182,680
Community Services Block Grant 15-0821-617	93.569	South Dakota Department of Social Services	06/01/2014 - 05/31/2015	600,581
Community Services Block Grant 16-0821-609		South Dakota Department of Social Services	06/01/2015 - 05/31/2016	306,354
		Total Federal Expenditures CFDA 93.569		906,935
Community Services Block Grant Discretionary Awards 90ET0440-01-00	93.570	South Dakota Community Action Partnership	09/30/2014 - 09/29/2015	15,779
Community Services Block Grant Discretionary Awards 90ET0440-02-00		South Dakota Community Action Partnership	09/30/2015 - 09/29/2016	60
		Total Federal Expenditures CFDA 93.570		15,839
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - SFC	93.596	South Dakota Department of Social Services	07/01/2014 - 09/30/2015	29,502
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Madison		South Dakota Department of Social Services	10/01/2014 - 09/30/2015	4,084
		Total Federal Expenditures CFDA 93.596		33,586
Head Start 08-CH1048/01	93.600	U.S. Department of Health and Human Services	02/01/2014 - 01/31/2015	799,586
Head Start - T&TA 08-CH1048/01		U.S. Department of Health and Human Services	02/01/2014 - 01/31/2015	11,822
Head Start 08-CH1048/02		U.S. Department of Health and Human Services	02/01/2015 - 01/31/2016	1,055,131
Head Start - T&TA 08-CH1048/02		U.S. Department of Health and Human Services	02/01/2015 - 01/31/2016	24,808
Early Head Start 08-CH1048/01		U.S. Department of Health and Human Services	02/01/2014 - 01/31/2015	736,226
Early Head Start - T&TA 08-CH1048/01		U.S. Department of Health and Human Services	02/01/2014 - 01/31/2015	10,647
Early Head Start 08-CH1048/02		U.S. Department of Health and Human Services	02/01/2015 - 01/31/2016	1,440,643
Early Head Start - T&TA 08-CH1048/02		U.S. Department of Health and Human Services	02/01/2015 - 01/31/2016	39,170
		Total Federal Expenditures CFDA 93.600		4,118,033
Assets for Independence Act	93.602	Northeast South Dakota Community Action Program	09/01/2014 - 08/31/2017	145
Total Department of Health and Human Services				6,006,820

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued)
 Year Ended September 30, 2015

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Program Period	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY				
Emergency Food and Shelter National Board Program Phase 31	97.024	Feeding South Dakota	09/01/2013 - 10/31/2014	\$ 281
Emergency Food and Shelter National Board Program Phase 32		Feeding South Dakota	07/01/2014 - 10/31/2015	11,510
Emergency Food and Shelter National Board Program Phase 31		Feeding South Dakota	07/01/2014 - 10/31/2015	<u>1,890</u>
		Total Federal Expenditures CFDA 97.024		<u>13,681</u>
		Total Federal Expenditures		<u><u>\$ 8,050,762</u></u>

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2015

Grantor/Program Title	Fund Source/ Pass-Through Entity	Program Period
STATE AND LOCAL PROGRAMS		
ICARE	MidAmerican Energy	01/01/2014 - 12/31/2014
ICARE	MidAmerican Energy	01/01/2015 - 12/31/2015
VSN	United Way	01/01/2014 - 12/31/2014
VSN	United Way	01/01/2015 - 12/31/2015
City of Brandon Transit 811296	South Dakota Department of Transportation	10/01/2014 - 09/30/2015
East Dakota Transit - Madison 811286	South Dakota Department of Transportation	10/01/2014 - 09/30/2015
City of Dell Rapids Transit 811295	South Dakota Department of Transportation	10/01/2014 - 09/30/2015
City of Hartford Transit 811297	South Dakota Department of Transportation	10/01/2014 - 09/30/2015
Formula Grants for Rural Areas 811287 - State funds	South Dakota Department of Transportation	10/01/2014 - 09/30/2015
Nutrition Services - State Funds 15-0832-622	South Dakota Department of Social Services	06/01/2014 - 05/31/2015
Nutrition Services - State Funds 16-0832-620	South Dakota Department of Social Services	06/01/2015 - 05/31/2016
Nutrition Services - State Funds Training Funds	South Dakota Department of Social Services	06/01/2015 - 05/30/2016
Build Your Own House	Citibank	Indefinite
Community Thrift Store	The Starbucks Foundation	Ended 04/30/2015
Homeownership Education	South Dakota Housing Development Authority	07/01/2014-06/30/2015
Resource Organization (HERO)	South Dakota Housing Development Authority	07/01/2015-06/30/2016
Homeownership Education	Citi Foundation Direct	08/01/2014 - 07/31/2015
Resource Organization (HERO)	Citi Foundation Direct	08/01/2015 - 07/31/2016
Home Ownership Education G-USDS-20141301	Service Grant	
Home Ownership Education G-USDS-20151938	Service Grant	
Wal-Mart Nutrition Grant	Wal-Mart Impact Grant Program	Indefinite
We Care	Private Donations	Indefinite
SD Dental Foundation	South Dakota Dental Foundation	Indefinite
Community Needs Assessment	Sioux Falls Area Community Foundation	02/26/2015 - 01/31/2016
Head Start Health	Private Donations	Indefinite
Head Start Medication	Private Donation	Indefinite
Care Mobile	Watertown Community Foundation	Indefinite
ADA Foundation	Harris Fund	Indefinite
Early Head Start Parent Incentive Program	Interlakes Area United Way Watertown Area United Way Brookings United Way	01/01/2015-12/31/2015
DISCRETIONARY		
Unrestricted Programs	Various	10/01/2014 - 09/30/2015

Notes to the Schedule of Expenditures of Federal Awards and List of Programs

NOTE 1 - This Schedule of Expenditures of Federal Awards and List of Programs (the "Schedule") includes the federal grant activity of Inter-Lakes Community Action Partnership, Inc. under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Inter-Lakes Community Action Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Inter-Lakes Community Action Partnership, Inc.

NOTE 2 - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Inter-Lakes Community Action Partnership, Inc.
Madison, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Inter-Lakes Community Action Partnership, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, 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 January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inter-Lakes Community Action Partnership, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Inter-Lakes Community Action Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Inter-Lakes Community Action Partnership, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 Inter-Lakes Community Action Partnership, Inc.'s financial statements are free of 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 Inter-Lakes Community Action Partnership, Inc.'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 Inter-Lakes Community Action Partnership, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

January 20, 2016
Minneapolis, Minnesota



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance

Board of Directors
Inter-Lakes Community Action Partnership, Inc.
Madison, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Inter-Lakes Community Action Partnership, Inc.'s compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. Inter-Lakes Community Action Partnership, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management of Inter-Lakes Community Action Partnership, Inc. is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Inter-Lakes Community Action Partnership, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Inter-Lakes Community Action Partnership, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Inter-Lakes Community Action Partnership, Inc. complied, in all material respects, with the types of 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, 2015.

Report on Internal Control Over Compliance

Management of Inter-Lakes Community Action Partnership, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Inter-Lakes Community Action Partnership, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Inter-Lakes Community Action Partnership, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

January 20, 2016
Minneapolis, Minnesota

Inter-Lakes Community Action Partnership, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2015

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Inter-Lakes Community Action Partnership, Inc.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of Inter-Lakes Community Action Partnership, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for Inter-Lakes Community Action Partnership, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Inter-Lakes Community Action Partnership, Inc.
7. The programs tested as major programs were:

<u>U.S. Department of Agriculture</u>	
Rural Self-Help Rehabilitation Technical Assistance	10.420
 <u>U.S. Department of Housing and Urban Development</u>	
HOME Investment Partnership Program	14.239
 <u>U.S. Department of Health and Human Services</u>	
Elderly Cluster:	
Special Programs for the Aging Part B - Supportive Services and Senior Centers	93.044
Special Programs for the Aging Part C - Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Community Services Block Grant	93.569
Head Start	93.600
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. Inter-Lakes Community Action Partnership, Inc. was determined not to be a low-risk auditee.

Inter-Lakes Community Action Partnership, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2015

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None

D. Prior Year Findings and Questioned Costs

None