

# **Inter-Lakes Community Action Partnership, Inc.**

Madison, South Dakota

Financial Statements and Supplementary Information  
Year Ended September 30, 2016

# Inter-Lakes Community Action Partnership, Inc.

Financial Statements and Supplementary Information  
Year Ended September 30, 2016

---

## Table of Contents

Independent Auditor’s Report .....	1
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements .....	7
Supplementary Information	
Schedule of Expenditures of Federal Awards and List of Programs.....	22
Notes to the Schedule of Expenditures of Federal Awards and List of Programs .....	27
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	28
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance .....	30
Schedule of Findings and Questioned Costs .....	32



## **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, 2016, 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, 2016, 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.

**Emphasis of a Matter***Prior Period Adjustment*

As discussed in Note 11 to the financial statements, in the current year Inter-Lakes Community Action Partnership, Inc. determined that there was a capital lease previously reported as an operating lease. As a result, property and equipment, capital lease payable, and unrestricted net assets were restated for the year ended September 30, 2015. Our opinion is not modified with respect to this matter.

**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 and the notes to the schedule of expenditures of federal awards and list of programs, 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"), are presented for purposes of additional analysis and are 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 18, 2017, 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

January 18, 2017  
Minneapolis, Minnesota

# Inter-Lakes Community Action Partnership, Inc.

## Statement of Financial Position September 30, 2016

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 1,296,399
Investments	533,836
Grants receivable	539,179
Accounts receivable	158,420
Other assets	148,963
Total current assets	2,676,797
Restricted cash and deposits:	
Custodial cash	83,906
Cash reserves	16,184
Certificate of deposit	27,323
Total restricted cash and deposits	127,413
Property and equipment, net	4,318,046
Total assets	\$ 7,122,256
<i>Liabilities and Net Assets</i>	
Liabilities:	
Current portion of long-term debt	\$ 50,103
Accounts payable	233,725
Accrued payroll and related expenses	648,509
Grant funds received in advance	78,295
Rent repayable	39,153
Funds held for others	83,906
Total current liabilities	1,133,691
Long-term debt	
Notes payable, less current portion	952,730
Obligations under capital lease, less current portion	360,314
Total long-term debt	1,313,044
Total liabilities	2,446,735
Net assets:	
Unrestricted	3,349,234
Temporarily restricted	481,000
Permanently restricted	845,287
Total net assets	4,675,521
Total liabilities and net assets	\$ 7,122,256

See accompanying notes to financial statements.

# Inter-Lakes Community Action Partnership, Inc.

## Statement of Activities

Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Prior year's grant funds received in advance	\$ 0	\$ 130,277	\$ 0	\$ 130,277
Current year grant awards	0	9,003,442	120,561	9,124,003
Grant funds received in advance	0	( 78,295)	0	( 78,295)
Net grant revenue	0	9,055,424	120,561	9,175,985
Commodity foods received	0	1,532	0	1,532
Program income	0	581,393	0	581,393
Investment income	37,333	59	0	37,392
In-kind revenue	89,840	0	0	89,840
Capital lease obligation forgiveness	48,722	0	0	48,722
Contributions	0	139,963	0	139,963
Other income	164,931	303,403	0	468,334
Net assets released from restriction through satisfaction of program restrictions	10,242,150	( 10,242,150)	0	0
Total revenue	10,582,976	( 160,376)	120,561	10,543,161
Expenses:				
Program services:				
Early Childhood Education	3,650,671	0	0	3,650,671
Food Program	1,363,272	0	0	1,363,272
Community Services	1,372,966	0	0	1,372,966
Weatherization Energy Assistance	577,962	0	0	577,962
Housing Programs	876,406	0	0	876,406
Homeless Shelter Programs	805,753	0	0	805,753
Transit Programs	409,007	0	0	409,007
Emergency Services	14,421	0	0	14,421
Discretionary	66,462	0	0	66,462
Total program services	9,136,920	0	0	9,136,920
Management and general	1,394,999	0	0	1,394,999
Fund-raising	15,734	0	0	15,734
Total expenses	10,547,653	0	0	10,547,653
Change in net assets	35,323	(160,376)	120,561	( 4,492)
Net assets - Beginning of year, restated	3,313,911	641,376	724,726	4,680,013
Net assets - End of year	\$ 3,349,234	\$ 481,000	\$ 845,287	\$ 4,675,521

See accompanying notes to financial statements.

# Inter-Lakes Community Action Partnership, Inc.

## Statement of Functional Expenses

Year Ended September 30, 2016

	Program Services										Management and General	Fund Raising	Total
	Early Childhood Education	Food Program	Community Services	Weatherization Energy Assistance	Housing Programs	Homeless Shelter Programs	Transit Programs	Emergency Services	Discretionary	Subtotal			
Personnel	\$ 2,779,993	\$ 379,233	\$ 945,398	\$ 127,456	\$ 337,734	\$ 318,339	\$ 308,503	\$ 216	\$ 2,760	\$ 5,199,632	\$ 1,126,204	\$ 10,274	\$ 6,336,110
Consultants and contract labor	131,794	3,620	18,310	1,519	4,402	3,268	2,900	0	3,036	168,849	64,461	250	233,560
Travel	25,317	8,863	28,420	5,673	18,534	3,416	18,818	0	9,746	118,787	21,606	269	140,662
Rent	61,788	8,137	23,024	3,205	6,759	35	1,798	0	0	104,746	30,677	575	135,998
Consumable supplies	88,990	26,648	23,513	4,058	6,413	2,792	3,051	0	6,356	161,821	42,869	28	204,718
Direct client assistance	16,455	892,639	152,276	417,049	473,044	267,030	6,895	14,205	15	2,239,608	0	0	2,239,608
Repairs/maintenance	110,488	12,578	15,381	1,964	2,717	67,603	26,534	0	4,923	242,188	10,466	0	252,654
In-kind expense	89,840	0	0	0	0	0	0	0	0	89,840	0	0	89,840
Interest	37,112	0	20,964	0	0	0	0	0	0	58,076	0	0	58,076
Depreciation	114,105	1,501	18,532	722	1,004	58,159	0	0	12,993	207,016	1,397	0	208,413
Commodity foods distributed	0	1,532	0	0	0	0	0	0	0	1,532	0	0	1,532
Other/program support	194,789	28,521	127,148	16,316	25,799	85,111	40,508	0	26,633	544,825	97,319	4,338	646,482
<b>Total functional expenses</b>	<b>\$ 3,650,671</b>	<b>\$ 1,363,272</b>	<b>\$ 1,372,966</b>	<b>\$ 577,962</b>	<b>\$ 876,406</b>	<b>\$ 805,753</b>	<b>\$ 409,007</b>	<b>\$ 14,421</b>	<b>\$ 66,462</b>	<b>\$ 9,136,920</b>	<b>\$ 1,394,999</b>	<b>\$ 15,734</b>	<b>\$ 10,547,653</b>

See accompanying notes to financial statements.

# Inter-Lakes Community Action Partnership, Inc.

## Statement of Cash Flows

Year Ended September 30, 2016

Cash flows from operating activities:	
Change in net assets	(\$ 4,492)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	208,413
Capital lease obligation forgiveness	( 27,757)
Gain on disposal of property and equipment	( 3,809)
Unrealized and realized gains on investments	( 35,652)
Changes in operating assets and liabilities:	
Grants receivable	( 19,418)
Accounts receivable	( 25,399)
Other assets	( 11,821)
Accounts payable	12,544
Accrued payroll and related expenses	( 61,244)
Grant funds received in advance	( 51,982)
Rent repayable	15,472
Funds held for others	( 130,053)
Net cash used in operating activities	( 135,198)
Cash flows from investing activities:	
Purchase of property and equipment	( 77,903)
Purchase of investments	( 174,802)
Proceeds from sale of investments	161,902
Net cash used in investing activities	( 90,803)
Cash flows from financing activities:	
Principal payments on notes payable	( 25,520)
Payments on capital lease obligation	( 24,000)
Net cash used in financing activities	( 49,520)
Net change in cash and cash equivalents	( 275,521)
Cash and cash equivalents - Beginning of year	1,672,010
Cash and cash equivalents - End of year	\$ 1,396,489
Reconciliation to statement of financial position:	
Cash and cash equivalents	\$ 1,296,399
Custodial cash	83,906
Cash reserves	16,184
Cash and cash equivalents per statement of financial position	\$ 1,396,489
Interest paid	\$ 58,191

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 76% of total revenue, including the Head Start grant that comprises 38% of total revenue.

#### **Program Services**

##### Early Childhood Education

Early 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)**

#### **Program Services (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 (GAAP).

#### **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 or are pledged to secure loan agreements. 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. Property and equipment held under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, which approximates fair value. 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

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.

#### **Capital Lease**

The Organization is the lessee of land and a building under a capital lease. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The building is amortized over 40 years. Amortization of the asset under the capital lease is included in depreciation expense.

# 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. 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.

Other income consists of amounts earned for various purposes such as housing, the auto program, training, and thrift store sales. Amounts that are restricted for a specific purpose 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.

#### **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 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 \$1,171,807 for its Head Start Pre-Birth to Five and Volunteer Income Tax Assistance programs that 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.

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 12 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 that 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 18, 2017, 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, 2016, investments consisted of the following:

	Cost	Fair Value	Cumulative Unrealized Gain (Loss)
Mutual funds	\$ 295,584	\$ 307,160	\$ 11,576
Fixed income securities	229,828	226,676	(3,152)
<u>Totals</u>	<u>\$ 525,412</u>	<u>\$ 533,836</u>	<u>\$ 8,424</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 income for the year ended September 30, 2016, is summarized as follows:

Interest and dividends	\$ 5,036
Investment fees	( 3,296)
Unrealized and realized gains	35,652
<u>Net investment income</u>	<u>\$ 37,392</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 \$83,906 on September 30, 2016.

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, 2016, was \$16,184.

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, 2016, was \$27,323.



# 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, 2016:

Land	\$ 453,506
Land improvements	28,050
Vehicles	964,817
Buildings	4,148,214
Equipment and fixtures	587,164
Construction in process	89,630
	<u>6,271,381</u>
Accumulated depreciation	<u>( 1,953,335)</u>
Property and equipment, net	<u>\$ 4,318,046</u>

Construction in process consisted of architecture fees paid on ICAP's office building in the amount of \$79,630, as well as \$5,000 of earnest money for the Watertown Head Start Building and \$5,000 earnest money for the purchase of two apartment buildings in Sioux Falls.

### 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 \$83,906 on September 30, 2016.

### Note 6: Notes Payable

The Organization had the following notes payable as of September 30, 2016:

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.	\$967,924
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.	<u>10,909</u>
Total notes payable	978,833
Less: Current maturities of notes payable	<u>(26,103)</u>
Long-term maturities of notes payable	<u>\$952,730</u>

# 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:

2017	\$ 26,103
2018	27,037
2019	22,311
2020	23,147
2021	24,015
Thereafter	856,220
<hr/>	
Total	\$ 978,833

Interest expense for notes payable for the year ended September 30, 2016, was \$37,112.

### **Note 7: Operating Leases**

ICAP leases office equipment and various facilities for operation of its programs through 2019. The total future minimum rental commitment under these lease agreements (which are considered operating leases) is \$107,786 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, 2016, was \$178,956.

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

2017	\$103,833
2018	3,588
2019	365
<hr/>	
Net minimum lease payments	\$107,786

# Inter-Lakes Community Action Partnership, Inc.

## Notes to Financial Statements

---

### Note 8: Capital Leases

ICAP entered into a capital lease agreement dated January 26, 2015, for the construction of a building in downtown Madison, South Dakota to be used in ICAP's activities. The lease calls for monthly payments of \$2,000 for the greater of 60 months or until a mortgage of the lessor is repaid. The mortgage balance at September 30, 2016, was \$360,314. The lessor, the Madison Community Foundation, Inc., is independently seeking donations towards the repayment of this mortgage. ICAP recognizes contribution revenue to the extent of donations received by the Madison Community Foundation, Inc., and applied against the mortgage.

Property held under capital lease obligations is as follows:

Land	\$ 36,000
Building	564,000
Total property held under capital lease	600,000
Less: Accumulated depreciation	(22,325)
Total	<u>\$ 577,675</u>

Debt service requirements are as follows as of September 30,

2017	\$ 24,000
2018	24,000
2019	24,000
2020	24,000
2021	24,000
Thereafter	421,036
Total net minimum lease payments	541,036
Imputed interest	(156,722)
Net present value of capital lease	384,314
Less: Current maturity of capital lease	(24,000)
Long-term capital lease obligation	<u>\$ 360,314</u>

The total principal and interest payments recognized for the year ended September 30, 2016, were \$72,722. These payments consisted of \$24,000 of cash paid by ICAP and \$48,722 collected from donors by the Madison Community Foundation, Inc. that was applied to the mortgage.

# Inter-Lakes Community Action Partnership, Inc.

## Notes to Financial Statements

---

### Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2016, consisted of the following:

Housing Assistance Council (HAC) – SHOP 2013	\$ 81,000
Transitional Living – Federal Home Loan Bank (FHLB) Heartland House I	20,000
Transitional Living – HUD – Heartland House II	280,000
South Dakota Development Housing Authority	100,000
<hr/>	
Total	\$ 481,000

ICAP received a loan from HAC for purchasing and developing 15 units (SHOP 2010), 6 units (SHOP 2011), 6 units (SHOP 2013) 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. The Organization chose to record this loan as temporarily restricted net assets when it was received as they intend to comply with the loan agreement. When the loan is forgiven by HAC, the amount will be released from temporarily restricted net assets.

HAC will make a determination on the eligibility of the forgivable portion of the loan for any units completed and occupied after September 30, 2016. The note balances of \$202,500 (SHOP 2010) and \$81,000 (SHOP 2011) have met the requirements during fiscal 2016 and have been released from restriction. The note balance of \$81,000 (SHOP 2013) is recorded as temporarily restricted net assets.

ICAP acquired an apartment complex, Heartland House I, 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 the following three sources:

The first source is from the U.S. Department of Housing and Urban Development (HUD) under the Transitional Housing Program loan of \$238,786, which related to the acquisition and rehabilitation of Heartland House I. The terms of loan have been satisfied and the entire amount was forgiven as ICAP continued the project for 20 years.

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, 2016, \$2,000 of principal was forgiven. The note balance of \$20,000 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 9: 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 10 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 will be forgiven on December 24, 2023. During the year ended September 30, 2016, \$35,000 of principal was forgiven. The note balance of \$280,000 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 10 below.

ICAP received funding for a Heartland House remodeling 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. For the year ended September 30, 2016, \$100,000 of the loan was placed in service.

### **Note 10: 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. The funding was in the form of zero percent notes payable with mortgages on the property. The total amount of the grants accumulated through September 30, 2016, was \$600,355 (see Note 9). 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, and \$120,561 in the current year for the Heartland House. 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 11: Prior Period Adjustment

During the year ended September 30, 2016, the Organization determined that a lease entered into in fiscal year 2015 was a capital lease that was previously reported as an operating lease. As a result, property and equipment increased by \$591,775, obligations under capital leases increased by \$436,072, and unrestricted net assets increased by \$155,703 for the year ended September 30, 2015.

### Note 12: 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, while 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, 2016:

	Fair Value Measurements Using			Total Assets
	Level 1	Level 2	Level 3	at Fair Value
Mutual funds:				
Asset allocation	\$ 56,693	\$ 0	\$ 0	\$ 56,693
Emerging markets	24,071	0	0	24,071
International bonds	62,764	0	0	62,764
Large blend	24,468	0	0	24,468
Large growth	30,742	0	0	30,742
Market neutral	14,425	0	0	14,425
Large Value	18,621	0	0	18,621
Mid-cap value	16,596	0	0	16,596
Mid-cap growth	15,929	0	0	15,929
Real estate	18,070	0	0	18,070
Small value	24,781	0	0	24,781
Fixed income securities:				
Intermediate bonds	206,091	0	0	206,091
Corporate bonds	20,585	0	0	20,585
Totals	\$ 533,836	\$ 0	\$ 0	\$ 533,836

# Inter-Lakes Community Action Partnership, Inc.

## Notes to Financial Statements

---

### **Note 13: 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 the 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.

ICAP has entered into a purchase agreement with Lloyd Property Management to purchase two apartment buildings in Sioux Falls, SD in the amount of \$2,200,000, to provide Rapid Rehousing Services. \$5,000 in earnest money has been paid to-date. This will be a tax credit purchase and rehabilitation project. The project also includes a consulting service contract with development for the disabled for \$156,904. Midwest Housing Equity Group is the syndicator, Lloyd Property Management is the developer, and the City of Sioux Falls, South Dakota is a partner in the project. The estimated project total is \$8,000,000, and is expected to begin in March or April 2017.

### **Note 14: Community Foundation**

ICAP is the beneficiary of an endowment fund 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, 2016, ICAP received \$14,264 from the fund, recorded as other income. As of September 30, 2016, the balance of these funds with the Foundation was \$351,523, and is not recorded on ICAP's financial statements.

### **Note 15: Tax-Deferred Annuity Plan**

During the year ended September 30, 2016, ICAP made contributions to 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 the employee has been employed six months. Employees are 100% vested after one year of service. ICAP made employer contributions of \$116,161 to the plan for the year ended September 30, 2016.

### **Note 16: Grant Awards**

At September 30, 2016, ICAP had commitments under various grants of \$4,387,720. These commitments are not recognized in the accompanying financial statements, since they are conditional awards.

### **Note 17: Subsequent Event**

The Organization purchased three lots for the Mutual Help program in November 2016 for \$81,000 plus an additional \$1,089 in closing costs.

## **Supplementary Information**

---



# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Expenditures of Federal Awards and List of Programs

Year Ended September 30, 2016

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>					
Rural Self-Help Rehabilitation Technical Assistance 12 County	10.420	U.S.D.A. Rural Development Department	Grant #39	03/31/2015 - 03/31/2017	\$ 191,116
Rural Self-Help Housing Technical Assistance - 14 County	10.420	U.S.D.A. Rural Development Department	Grant # 35	10/01/2011 - 02/05/2016	18,606
Rural Self-Help Housing Technical Assistance - 14 County	10.420	U.S.D.A. Rural Development Department	Grant # 40	09/01/2015 - 08/31/2017	<u>112,886</u>
<b>Total Federal Expenditures CFDA 10.420</b>					<u><b>322,608</b></u>
Child and Adult Care Food Program - U.S.D.A. Reimbursement	10.558	South Dakota Department of Education and Cultural Affairs	N/A	10/01/2015-09/30/2016	<u><b>157,394</b></u>
The Emergency Food Assistance Program (TEFAP)	10.569	South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services	N/A	07/01/2015-09/30/2016	<u>1,532</u>
<b>Total Food Distribution Cluster (CFDA 10.565, 10.568, and 10.569)</b>					<u><b>1,532</b></u>
<b>Total Department of Agriculture</b>					<u><b>481,534</b></u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Housing Counseling Assistance Program	14.169	South Dakota Housing Development Authority	HC150841004	10/01/2014 - 03/31/2016	<u><b>3,845</b></u>
Community Development Block Grant Bright Futures - TRBA	14.218	Sioux Falls Community Development	15-4164	08/01/2015 - 07/31/2016	89,987
Community Development Block Grant Bright Futures - TRBA	14.218	Sioux Falls Community Development	16-4154	08/01/2016 - 07/31/2017	<u>24,223</u>
<b>Total Federal Expenditures CFDA 14.218</b>					<u><b>114,210</b></u>
Emergency Solutions Grant Program	14.231	South Dakota Housing Development Authority	E-14-DC-46-0001-23	07/18/2014 - 01/07/2016	3,732
Emergency Solutions Grant Program	14.231	South Dakota Housing Development Authority	E-15-DC-46-0001-09	08/21/2015-02/21/2017	<u>41,345</u>
<b>Total Federal Expenditures CFDA 14.231</b>					<u><b>45,077</b></u>
HOME Investment Partnership Program - Homeless Assistance	14.239	City of Sioux Falls	15-4163	08/01/2015 - 07/31/2016	32,499
HOME Investment Partnership Program - Homeless Assistance	14.239	City of Sioux Falls	16-4155	08/01/2016 - 07/31/2017	3,463
HOME Investment Partnership Program - Heartland House Remodel	14.239	City of Sioux Falls	14-4242	12/03/2014 - 12/01/2015	2,477
HOME Investment Partnership Program - Home Rehabilitation	14.239	South Dakota Housing Development Authority	N/A	09/09/2014 - 01/31/2016	80,113
HOME Investment Partnership Program - Home Rehabilitation	14.239	South Dakota Housing Development Authority	N/A	10/01/2015 - 12/31/2016	167,590

# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2016

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)</b>					
HOME Investment Partnership Program - Security Deposit Assistance Program	14.239	South Dakota Housing Development Authority	N/A	07/01/2015 - 07/01/2016	\$ 5,089
HOME Investment Partnership Program - Security Deposit Assistance Program	14.239	South Dakota Housing Development Authority	N/A	11/18/2015 - 12/30/2016	4,248
<b>Total Federal Expenditures CFDA 14.239</b>					<b>295,479</b>
Self-Help Homeownership Opportunity Program	14.247	Department of Housing and Urban Development	1-1709-1311	11/07/2013 - 08/31/2016	90,000
Continuum of Care Program - Heartland Transitional House	14.267	Department of Housing and Urban Development	SD0006L8T001406	02/01/2015-01/31/2016	58,334
Continuum of Care Program - Heartland Transitional House	14.267	Department of Housing and Urban Development	SD0006L8T001507	02/01/2016-01/31/2017	175,060
Continuum of Care Program - Heartland Transitional House	14.267	Department of Housing and Urban Development	SD0019L8T001403	09/01/2015 - 08/31/2016	143,995
Continuum of Care Program - Heartland Transitional House	14.267	Department of Housing and Urban Development	SD0019L8T001504	09/01/2016 - 08/31/2017	13,320
<b>Total Federal Expenditures CFDA 14.267</b>					<b>390,709</b>
<b>Total Department of Housing and Urban Development</b>					<b>939,320</b>
<b>DEPARTMENT OF TRANSPORTATION</b>					
Formal Grants for Rural Areas - Transportation	20.509	South Dakota Department of Transportation	811387	10/01/2015 - 09/30/2016	48,228
Formal Grants for Rural Areas - Training	20.509	South Dakota Department of Transportation	SD-18-x055-00/SD-2016-0	10/01/2015 - 09/30/2016	1,293
<b>Total Federal Expenditures CFDA 20.509</b>					<b>49,521</b>
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	South Dakota Department of Transportation	811437	10/01/2015 - 09/30/2016	1,296
<b>Total Transit Services Program Cluster (CFDA 20.513, 20.516, 20.521)</b>					<b>1,296</b>
<b>Total Department of Transportation</b>					<b>50,817</b>
<b>DEPARTMENT OF THE TREASURY</b>					
Volunteer Income Tax Assistance VITA Matching Grant Program	21.009	Rural Office of Community Services	16VITA0117	07/01/2015 - 06/30/2016	10,916
<b>Total Department of the Treasury</b>					<b>10,916</b>
<b>DEPARTMENT OF ENERGY</b>					
Weatherization Assistance for Low-Income Persons - Weatherization	81.042	South Dakota Department of Social Services	16-0821-601	07/01/2015 - 06/30/2016	318,564
Weatherization Assistance for Low-Income Persons - Weatherization	81.042	South Dakota Department of Social Services	17-0821-601	07/01/2016 - 06/30/2017	109,630
<b>Total Federal Expenditures CFDA 81.042</b>					<b>428,194</b>

# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Expenditures of Federal Awards and List of Programs (Continued)

Year Ended September 30, 2016

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
<b>DEPARTMENT OF HEATH AND HUMAN SERVICES</b>					
Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers - Transportation	93.044	South Dakota Department of Social Services	811387	10/01/2015 - 09/30/2016	<u>\$ 4,631</u>
Special Programs for the Aging - Title III Part C - Nutrition Services Congregate Dining	93.045	South Dakota Department of Social Services	16-0832-620	06/01/2015 - 07/15/2016	216,385
Special Programs for the Aging - Title III Part C - Nutrition Services Congregate Dining	93.045	South Dakota Department of Social Services	17-0832-620	06/01/2016 - 05/31/2017	129,874
Special Programs for the Aging - Title III Part C - Nutrition Services Home Delivered Meals	93.045	South Dakota Department of Social Services	16-0832-620	06/01/2015 - 07/15/2016	39,827
Special Programs for the Aging - Title III Part C - Nutrition Services Home Delivered Meals	93.045	South Dakota Department of Social Services	17-0832-620	06/01/2016 - 05/31/2017	<u>55,352</u>
<b>Total Federal Expenditures CFDA 93.045</b>					<u><b>441,438</b></u>
Nutrition Services Incentive Program 16-0832-620	93.053	South Dakota Department of Social Services		06/01/2015 - 05/31/2016	79,187
Nutrition Services Incentive Program 17-0832-620		South Dakota Department of Social Services		06/01/2016 - 05/31/2017	<u>45,472</u>
<b>Total Federal Expenditures CFDA 93.053</b>					<u><b>124,659</b></u>
<b>Total Aging Cluster (CFDA 93.044, 93.045, 93.053)</b>					<u><b>570,728</b></u>
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	U.S. Department of Health and Human Services	1NAVCA150264-01-00	09/02/2015 - 09/01/2016	194,600
Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces	93.332	U.S. Department of Health and Human Services	1NAVCA150264-02-00	09/02/2016 - 09/01/2017	<u>20,993</u>
<b>Total Federal Expenditures CFDA 93.332</b>					<u><b>215,593</b></u>
Low-Income Home Energy Assistance	93.568	South Dakota Department of Social Services	16-0821-605	07/01/2015 - 06/30/2016	158,394
Low-Income Home Energy Assistance	93.568	South Dakota Department of Social Services	17-0821-605	07/01/2016 - 06/30/2017	<u>21,044</u>
<b>Total Federal Expenditures CFDA 93.568</b>					<u><b>179,438</b></u>
Community Services Block Grant	93.569	South Dakota Department of Social Services	16-0821-609	06/01/2015 - 05/31/2016	666,188
Community Services Block Grant	93.569	South Dakota Department of Social Services	17-0821-609	06/01/2016 - 05/31/2017	<u>333,659</u>
<b>Total Federal Expenditures CFDA 93.569</b>					<u><b>999,847</b></u>
Community Services Block Grant Discretionary Awards	93.570	South Dakota Community Action Partnership	90ET0440-02-00	09/30/2015 - 09/29/2016	<u><b>12,572</b></u>
Child Abuse Challenge Grants	93.590	South Dakota Department of Social Services	17sc086021	06/01/2016 - 05/31/2017	<u><b>116</b></u>

# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Expenditures of Federal Awards and List of Programs (Continued)

Year Ended September 30, 2016

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
<b>DEPARTMENT OF HEATH AND HUMAN SERVICES (Continued)</b>					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - SFC	93.596	South Dakota Department of Social Services	N/A	10/01/2015 - 09/30/2016	\$ 52,901
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Madison	93.596	South Dakota Department of Social Services	N/A	10/01/2015 - 09/30/2016	<u>6,511</u>
<b>Total Federal Expenditures CFDA 93.596</b>					<u><b>59,412</b></u>
<b>Total CCDF Cluster (CFDA 93.575, 93.596)</b>					<u><b>59,412</b></u>
Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/02	02/01/2015 - 01/31/2016	715,930
Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	1,068,807
Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	18,725
Early Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/02	02/01/2015 - 01/31/2016	745,584
Early Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/02	02/01/2015 - 01/31/2016	3,121
Early Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	1,461,882
Early Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	<u>31,414</u>
<b>Total Federal Expenditures CFDA 93.600</b>					<u><b>4,045,463</b></u>
Assets for Independence Act	93.602	Northeast South Dakota Community Action Program	N/A	09/01/2014 - 08/31/2017	<u><b>6,380</b></u>
<b>Total Department of Health and Human Services</b>					<u><u><b>6,089,549</b></u></u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>					
Emergency Food and Shelter National Board Program	97.024	Feeding South Dakota	Phase 32	07/01/2014 - 10/31/2015	12,693
Emergency Food and Shelter National Board Program	97.024	Feeding South Dakota	Phase 32	07/01/2014 - 10/31/2015	<u>137</u>
<b>Total Federal Expenditures CFDA 97.024</b>					<u><u><b>12,830</b></u></u>
<b>Total Federal Expenditures</b>					<u><u><b>\$ 8,013,160</b></u></u>

# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2016

Grantor/Program Title	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period
<b>STATE AND LOCAL PROGRAMS</b>			
ICARE	MidAmerican Energy	N/A	01/01/2015 - 12/31/2015
ICARE	MidAmerican Energy	N/A	01/01/2016 - 12/31/2016
VSN	United Way	N/A	01/01/2015 - 12/31/2015
VSN	United Way	N/A	01/01/2016 - 12/31/2016
City of Brandon Transit	South Dakota Department of Transportation	811395	10/01/2015 - 09/30/2016
East Dakota Transit - Madison	South Dakota Department of Transportation	811405	10/01/2015 - 09/30/2016
City of Dell Rapids Transit	South Dakota Department of Transportation	811409	10/01/2015 - 09/30/2016
City of Hartford Transit	South Dakota Department of Transportation	811396	10/01/2015 - 09/30/2016
Formula Grants for Rural Areas - State funds	South Dakota Department of Transportation	811387	10/01/2015 - 09/30/2016
Nutrition Services - State Funds	South Dakota Department of Social Services	16-0832-620	06/01/2015 - 05/31/2016
Nutrition Services - State Funds	South Dakota Department of Social Services	17-0832-620	06/01/2016 - 05/31/2017
Nutrition Services - State Funds Training Funds	South Dakota Department of Social Services	N/A	06/01/2015 - 09/30/2016
Build Your Own House	Citibank	N/A	Indefinite
Homeownership Education Resource Organization (HERO)	South Dakota Housing Development Authority	N/A	07/01/2015-06/30/2016
Homeownership Education Resource Organization (HERO)	South Dakota Housing Development Authority	N/A	07/01/2016-06/30/2017
Home Ownership Education	Citi Foundation Direct Service Grant	G-USDS-20151938	08/01/2015 - 01/31/2017
Wal-Mart Nutrition Grant	Wal-Mart Impact Grant Program	N/A	Indefinite
SD Dental Foundation	South Dakota Dental Foundation	N/A	Indefinite
HOF Home Rehab	South Dakota Housing Development Authority	2016-411	12/02/2015 - 12/01/2018
Head Start Health	Private Donations	N/A	Indefinite
Watertown HS Building	Plains Commerce Bank	N/A	Indefinite
Care Mobile	Watertown Community Foundation	N/A	Indefinite
ADA Foundation	Harris Fund	N/A	Indefinite
Dakota Pride Scholarship	Dakota Business Finance	N/A	Indefinite
Head Start Program	3M	N/A	10/01/2015-09/30/2016
Head Start - Early Head Start Health	Avera Foundation	N/A	10/01/2015-09/30/2016
Various programs	Interlakes Area United Way	N/A	01/01/2016-12/31/2016
Various programs	Watertown Area United Way	N/A	01/01/2016-12/31/2016
Various programs	Brookings United Way	N/A	01/01/2016-12/31/2016
<b>DISCRETIONARY</b>			
Unrestricted Programs	Various		10/01/2015 - 09/30/2016

# Inter-Lakes Community Action Partnership, Inc.

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

Year Ended September 30, 2016

---

### **Note 1: General**

The accompanying Schedule of Expenditures of Federal Awards and List of Programs (the "Schedule") includes the federal grant activity of under programs of the federal government for the year ended September 30, 2016. The information in the 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* (the "Uniform Guidance"). 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: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Inter-Lakes Community Action Partnership, Inc. has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. No amounts have been passed through to subrecipients for the year ended September 30, 2016.



## **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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2017.

### **Emphasis of a Matter**

Prior Period Adjustment - As discussed in Note 11 to the financial statements, in the current year Inter-Lakes Community Action Partnership, Inc. determined that there was a capital lease previously reported as an operating lease. As a result, property and equipment, capital leases payable, and unrestricted net assets were restated for the year ended September 30, 2015. Our opinion is not modified with respect to this matter.

### **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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

**Inter-Lakes Community Action Partnership, Inc.'s Response to Finding**

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

**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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

January 18, 2017  
Minneapolis, Minnesota





## **Independent Auditor's Report on Compliance for Each Major Federal 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 *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. 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 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 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; 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 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, 2016.

## **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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

January 18, 2017  
Minneapolis, Minnesota

# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Findings and Questioned Costs

Year Ended September 30, 2016

---

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major federal programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
<u>Name of Federal Major Program</u>	<u>CFDA No.</u>
U.S. Department of Health and Human Services	
Community Services Block Grant	93.569
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

# Inter-Lakes Community Action Partnership, Inc.

## Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2016

---

### Section II - Financial Statement Findings

#### Finding 2016-001 – Accounting for Leases

Condition: A capital lease was accounted for as an operating lease.

Criteria: Internal controls should be in place to provide reasonable assurance that leases are being evaluated to determine whether they are capital or operating leases, and that the proper accounting methods are used for each type.

Cause: Lease agreements are not being evaluated to determine if they are capital or operating leases.

Effect: Capital leases may be improperly accounted for as operating leases.

Recommendation: We recommend management evaluate all new leases using a standard worksheet to determine the type of lease, and that the worksheet be reviewed by someone other than the preparer.

Views of Responsible Officials and Planned Corrective Actions: Inter-Lakes Community Action Partnership, Inc. agrees with the finding and recommended procedures have been implemented.

### Section III – Federal Award Findings and Questioned Costs

None.