

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

Madison, South Dakota

Financial Statements and Supplementary Information

Year Ended September 30, 2017

WIPFLi^{LLP}
CPAs and Consultants

Inter-Lakes CAP, Inc.
Year Ended September 30, 2017

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Independent Auditor's Report

Board of Directors
Inter-Lakes CAP, Inc.
Madison, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Inter-Lakes CAP, Inc. (a nonprofit Company), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 CAP, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on 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”) appearing on pages 25-31 are presented for the purpose 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 17, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inter-Lakes CAP, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inter-Lakes Community Action Partnership, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

January 17, 2018
Minneapolis, Minnesota

Inter-Lakes Community Action Partnership, Inc.

Statement of Financial Position September 30, 2017

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 1,265,244
Investments	600,171
Grants receivable	463,208
Accounts receivable	165,324
Other assets	142,983
Total current assets	2,636,930
Restricted cash and deposits:	
Custodial cash	78,836
Cash reserves	21,896
Certificate of deposit	27,647
Total restricted cash and deposits	128,379
Property and equipment, net	3,653,072
Investment in and notes receivable from limited partnership	1,250,000
Total assets	\$ 7,668,381
<i>Liabilities and Net Assets</i>	
Liabilities:	
Current portion of notes payable	\$ 27,059
Current portion of obligations under capital lease	24,000
Accounts payable	216,254
Accrued payroll and related expenses	663,134
Grant funds received in advance	77,063
Rent repayable	13,589
Funds held for others	78,836
Total current liabilities	1,099,935
Long-term debt:	
Notes payable, less current portion	2,175,317
Obligations under capital lease, less current portion	308,039
Total long-term debt	2,483,356
Total liabilities	3,583,291
Net assets:	
Unrestricted	3,393,681
Temporarily restricted	196,122
Permanently restricted	495,287
Total net assets	4,085,090
Total liabilities and net assets	\$ 7,668,381

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Activities

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Prior year's grant funds received in advance	\$ -	\$ 78,295	\$ -	\$ 78,295
Current year grant awards	-	9,201,963	-	9,201,963
Grant funds received in advance	-	(77,063)	-	(77,063)
Net grant revenue	-	9,203,195	-	9,203,195
Commodity foods received	-	52,311	-	52,311
Program income	-	583,992	-	583,992
Investment income	70,563	24	-	70,587
In-kind revenue	34,635	-	-	34,635
Loss on disposal of assets	(652)	-	-	(652)
Capital lease obligation forgiveness	46,533	-	-	46,533
Contributions	-	126,923	-	126,923
Other income	160,034	360,030	-	520,064
Gain (loss) on sale of assets to limited partnership	140,932	(300,876)	(350,000)	(509,944)
Net assets released from restriction through satisfaction of program restrictions	10,310,477	(10,310,477)	-	-
Total revenue	10,762,522	(284,878)	(350,000)	10,127,644
Expenses:				
Program services:				
Early Childhood Education	3,694,757	-	-	3,694,757
Food Program	1,477,044	-	-	1,477,044
Community Services	1,420,965	-	-	1,420,965
Weatherization Energy Assistance	689,145	-	-	689,145
Housing Programs	626,464	-	-	626,464
Homeless Shelter Programs	759,558	-	-	759,558
Transit Programs	442,123	-	-	442,123
Emergency Services	68,900	-	-	68,900
Discretionary	76,311	-	-	76,311
Total program services	9,255,267	-	-	9,255,267
Management and general	1,447,074	-	-	1,447,074
Fund-raising	15,734	-	-	15,734
Total expenses	10,718,075	-	-	10,718,075
Change in net assets	44,447	(284,878)	(350,000)	(590,431)
Net assets - Beginning of year	3,349,234	481,000	845,287	4,675,521
Net assets - End of year	\$ 3,393,681	\$ 196,122	\$ 495,287	\$ 4,085,090

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Functional Expenses Year Ended September 30, 2017

	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	\$ 2,768,980	\$ 420,690	\$ 990,781	\$ 135,760	\$ 161,218	\$ 333,781	\$ 333,927	\$ 2,095	\$ 19,385	\$ 5,166,617	\$ 1,170,002	\$ 11,092	\$ 6,347,711
Consultants and contract labor	139,022	5,535	15,267	1,836	2,573	4,795	3,493	-	8,239	180,760	78,146	360	259,266
Travel	25,602	8,579	23,450	4,959	8,291	5,447	22,226	-	8,107	106,661	24,184	686	131,531
Rent	69,746	9,524	28,401	3,244	4,484	472	1,875	-	96	117,842	31,543	305	149,690
Consumable supplies	177,583	7,986	24,036	1,961	1,779	18,594	6,692	-	2,055	240,686	25,668	84	266,438
Direct client assistance	16,628	933,219	155,506	521,346	426,980	250,341	6,636	66,805	179	2,377,640	-	-	2,377,640
Repairs/maintenance	124,439	9,171	18,055	1,858	1,061	39,238	23,899	-	11,706	229,427	11,342	-	240,769
In-kind expense	34,635	-	-	-	-	-	-	-	-	34,635	-	-	34,635
Interest	36,168	-	19,411	-	-	-	-	-	-	55,579	-	-	55,579
Depreciation	109,042	3,230	19,741	722	707	53,921	1,397	-	9,868	198,628	-	-	198,628
Commodity foods distributed	-	52,311	-	-	-	-	-	-	-	52,311	-	-	52,311
Other/program support	192,912	26,799	126,317	17,459	19,371	52,969	41,978	-	16,676	494,481	106,189	3,207	603,877
Total functional expenses	\$ 3,694,757	\$ 1,477,044	\$ 1,420,965	\$ 689,145	\$ 626,464	\$ 759,558	\$ 442,123	\$ 68,900	\$ 76,311	\$ 9,255,267	\$ 1,447,074	\$ 15,734	\$ 10,718,075

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Cash Flows

Year Ended September 30, 2017

Cash flows from operating activities:	
Change in net assets	\$ (590,431)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	198,628
Capital lease obligation principal forgiveness	(46,533)
Capital lease obligation interest forgiveness	18,258
Loss on sale of assets to limited partnership	509,944
Loss on disposal of property and equipment	652
Unrealized and realized gains on investments	(61,252)
Changes in operating assets and liabilities:	
Grants receivable	75,971
Accounts receivable	(6,904)
Other assets	5,980
Accounts payable	(17,472)
Accrued payroll and related expenses	14,625
Grant funds received in advance	(1,232)
Rent repayable	(25,564)
Funds held for others	(5,070)
Net cash provided by operating activities	69,600
Cash flows from investing activities:	
Purchase of property and equipment	(44,250)
Disbursement of notes receivable	(900,000)
Purchase of investments	(162,871)
Proceeds from sale of investments	157,465
Net cash used in investing activities	(949,656)
Cash flows from financing activities:	
Principal payments on notes payable	(26,457)
Proceeds from notes payable	900,000
Payments on capital lease obligation	(24,000)
Net cash provided by financing activities	849,543
Net change in cash and cash equivalents	(30,513)
Cash and cash equivalents - Beginning of year	1,396,489
Cash and cash equivalents - End of year	\$ 1,365,976
Reconciliation to statement of financial position:	
Cash and cash equivalents	\$ 1,265,244
Custodial cash	78,836
Cash reserves	21,896
Cash and cash equivalents per statement of financial position	\$ 1,365,976
Supplemental Schedule of Cash and Noncash Activity:	
Contributions received for capital lease forgiveness	\$ 46,533
Interest paid	\$ 34,635

See accompanying notes to financial statements.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization

Inter-Lakes CAP, Inc. ("ICAP" or the "Company") 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 88% of total revenue, including the Head Start grant that comprises 41% 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. The programs under this service also include food pantries and commodities.

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, computers for education advancement, parenting classes, 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 CAP, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Organization (Continued)

Housing Programs

The housing programs provide no-interest home repair loans to low-income households, down payment assistance, 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, which was converted to a Rapid Re-housing program provides homeless families with children an affordable housing unit with case management services including educational activities that are aimed at assisting the participating families to move toward economic and social self-sufficiency. This program has 88 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 Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents unless held in a reinvestment portfolio or are pledged to secure loan agreements. The carrying amount approximates fair value because of the short maturity of those instruments.

Investments

Investments are 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

Accounts 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.

Notes Receivable

ICAP received U.S. Department of Housing and Urban Development CDBG loans from the City of Sioux Falls in order to provide a loan to Horizon Place Apartments Limited Partnership, LP ("Horizon Place") for the development of the Horizon Place Apartments. The loans are stated at the amount of unpaid principal and accrued interest, reduced by an allowance for expected uncollectible amounts. The allowance is an amount that management believes will be adequate to absorb the losses on existing loans that may become uncollectible. The notes are secured by the property owned by Horizon Place.

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:

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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 Obligation

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.

Net Assets

Net assets and revenues, 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. Thus, they include all net assets whose use has not been restricted by donors or by law.

Temporarily restricted net assets - Nets assets subject to donor-imposed stipulations that may or may not be met, either 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 restrictions.

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.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Grant Funds Received in Advance (Continued)

Program income consists primarily of amounts earned that relate to the elderly nutrition programs. 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.

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 \$1,111,273 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.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cost Allocations (Continued)

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.

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.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Inter-Lakes CAP, 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.

Subsequent Events

ICAP has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 17, 2018, which is the date the financial statements were available to be issued.

Note 2: Concentration 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 at each institution. 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 CAP, Inc.

Notes to Financial Statements

Note 3: Investments

ICAP maintains investment funds with a bank in Sioux Falls, South Dakota. Investments are stated at fair value. As of September 30, 2017, investments consisted of the following:

	Cost	Fair Value	Cumulative Unrealized Gain
Mutual funds	\$ 286,789	\$ 338,543	\$ 51,754
Fixed income securities	261,273	261,628	355
Totals	\$ 548,062	\$ 600,171	\$ 52,109

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, 2017, is summarized as follows:

Interest and dividends	\$ 13,491
Investment fees	(4,156)
Unrealized and realized gains	61,252
Net investment income	\$ 70,587

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 4: 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.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

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, 2017:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Mutual funds	\$ 338,543	\$ -	\$ -	\$ 338,543
Fixed income securities	261,628	-	-	261,628
Totals	\$ 600,171	\$ -	\$ -	\$ 600,171

Note 5: 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 \$78,836 on September 30, 2017.

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, 2017, was \$21,896.

Certificate of Deposit

The Organization pledged a certificate of deposit to guarantee loan payments that are payable over the next two years. The balance at September 30, 2017, was \$27,647.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 6: Property and Equipment

Property and equipment consisted of the following at September 30, 2017:

Land	\$ 398,506
Vehicles	954,319
Buildings	3,593,283
Equipment and fixtures	546,620
Construction in process	87,936
<hr/>	
Subtotal	5,580,664
Accumulated depreciated	(1,927,592)
<hr/>	
Property and equipment, net	\$ 3,653,072

Construction in process consisted of architecture fees paid on ICAP's office building in the amount of \$79,630, as well as \$8,306 for a fence under construction for the Watertown Head Start Building.

Note 7: Investment in and Notes Receivable from Limited Partnership

The investment in limited partnership consists of an investment in a single entity, Horizon Place Apartments Limited Partnership, LP ("Horizon Place"), which ICAP has a 0.1% ownership interest and acts as general partner. ICAP invested in Horizon Place with another equity partner in order to take advantage of financing through the Low-Income Housing Tax Credit ("LIHTC") program which provides the investors with tax incentives for making equity investments in low-income housing.

In May 2017, ICAP sold land and a building to Horizon Place with a net book value of \$509,944. Deferred loans incurred in connection with this building were previously recognized as restricted revenue and were either paid by, or assumed by, Horizon Place in connection with this transaction. The elimination of this debt offsets the remaining net book value, resulting in a net equity investment in the partnership of \$0 at September 30, 2017.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 7: Investment in and Notes Receivable from Limited Partnership (Continued)

Notes Receivable

As of September 30, 2017, the notes receivable from Horizon Place consisted of the following:

\$900,000 note receivable at 1.82% interest, with 30 annual payments of \$37,237, with the first payment due September 1, 2018, and maturing on September 1, 2048. The note is collateralized by real estate.	\$ 900,000
\$350,000 note receivable at 1.82% interest, compounded annually, and payable in one lump sum on the earlier of May 11, 2033 or within one year of the removal of the partnership from the LIHTC program. The note is collateralized by real estate.	350,000
Total notes receivable	\$ 1,250,000

Interest income from notes receivable for the year ended September 30, 2017 was \$8,531.

ICAP regularly evaluates the creditworthiness and liquidity of Horizon Place and whether or not the Horizon Place is complying with the terms of the notes. As of September 30, 2017, no provision for uncollectible loans receivable was considered necessary based on these criteria.

The aggregate financial status and activity for Horizon Place as of and for the year ended September 30, 2017 was as follows:

Assets	\$ 4,012,315
Less - Liabilities	4,001,807
Equity	\$ 10,508
Net loss	\$ (9,502)

Note 8: Funds Held for Others

The Company 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 \$78,836 on September 30, 2017.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 9: Notes Payable

The Company has the following notes payable as of September 30, 2017:

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.	\$ 946,834
Note payable in the amount of \$900,000 to the City of Sioux Falls at 0% interest, with annual payments of \$30,000, first payment due September 2019, maturity of September 2049, collateralized by real estate.	900,000
Note payable in the amount of \$350,000 to the City of Sioux Falls at 0% interest, with a single principal payment due upon the earlier of the removal of the Horizon Place Apartments Limited Partnership from the LIHTC program or May 11, 2033. The note is collateralized by real estate as well as a corresponding note receivable and assignment of the liability to the Horizon Place Apartments Limited Partnership.	350,000
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.	5,542
Total notes payable	2,202,376
Less: Current maturities of notes payable	(27,059)
Long-term maturities of notes payable	\$ 2,175,317

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

2018	\$ 27,059
2019	52,325
2020	53,162
2021	54,030
2022	54,932
Thereafter	1,960,868
Total	\$ 2,202,376

Interest expense for notes payable for the year ended September 30, 2017, was \$34,635.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 10: Capital Lease Obligation

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, 2017, was \$332,039. The lessor, the Madison Community Foundation, Inc., is independently seeking donations towards the repayment of this mortgage. ICAP recognizes contribution revenue to the extent the principal and interest paid on this mortgage exceeds the monthly payments of \$2,000.

Property held under capital lease obligations is as follows:

Land	\$	36,000
Building		564,000
		600,000
Total property held under capital lease		600,000
Less: Accumulated depreciation		(36,425)
		563,575
		\$ 563,575

Debt service requirements are as follows as of September 30:

2018	\$	24,000
2019		24,000
2020		24,000
2021		24,000
2022		24,000
Thereafter		350,640
		470,640
Total minimum lease payments		470,640
Imputed interest		(138,601)
		332,039
Net present value of capital lease		332,039
Current maturity of capital lease		(24,000)
		308,039
		\$ 308,039

The total principal and interest payments recognized for the year ended September 30, 2017, were \$70,533. These payments consisted of \$24,000 of cash paid by ICAP and \$46,533 collected from donors by the Madison Community Foundation, Inc. that was applied to the mortgage principal and interest.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 11: Operating Leases

ICAP leases office equipment and various facilities for operation of its programs through 2022. The total future minimum rental commitment under these lease agreements (which are considered operating leases) is \$264,095 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, 2017, was \$149,690.

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

2018	\$	110,674
2019		56,653
2020		36,288
2021		36,288
2022		24,192
<hr/>		
Net minimum lease payments	\$	264,095

Note 12: Temporarily Restricted Net Assets

Temporarily restricted net asset at September 30, 2017, consisted of the following:

Housing Assistance Council (HAC) - SHOP 2013 (a)	\$	81,000
Housing Assistance Council (HAC) - HLP (b)		18,000
Transitional Living - Federal Home Loan Bank (FHLB) Heartland House I (c)		18,000
South Dakota Development Housing Authority (d)		79,122
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Total	\$	196,122

- (a) ICAP received a loan from HAC for purchasing and developing six 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 nonprofit 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, 2017. The note balance of \$81,000 (SHOP 2013) is recorded as temporarily restricted net assets.
- (b) ICAP received a loan from HAC for purchasing and developing three units 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

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 12: Temporarily Restricted Net Assets (Continued)

the loan. If the units are completed and occupied by the dates set by HAC in the loan agreements, HAC may forgive up to 60% 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. The Homeownership Loan Program through HAC will make a determination on eligibility of the forgivable port of the loan for units completed and occupied after September 30, 2017. The note balance of \$18,000 is recorded as a temporarily restricted net asset.

- (c) 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 sources:

A forgivable loan from the 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, 2017, \$2,000 of principal was forgiven. The note balance of \$18,000 is recorded as temporarily restricted net assets.

The second 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.

- (d) ICAP previously acquired an apartment complex to provide shelter to homeless individuals and families in Sioux Falls, South Dakota. In the current year this apartment complex was sold to a limited partnership in which ICAP was a 0.1 percent owner. In addition to this sale, the partnership repaid the outstanding amount due on a forgivable loan payable to the United States Department of Housing and Urban Development with a balance of \$278,142.

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. The note balance of \$79,122 is recorded as temporarily restricted net assets.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 13: 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, 2017, was \$250,355 (see Note 12). 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.

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, 2017, ICAP received \$14,292 from the fund, recorded as other income. As of September 30, 2017, the balance of these funds with the Foundation was \$376,514, and is not recorded on ICAP's financial statements.

Note 15: Tax-Deferred Annuity Plan

During the year ended September 30, 2017, 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 \$111,076 to the plan for the year ended September 30, 2017.

Note 16: 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.

Inter-Lakes CAP, Inc.

Notes to Financial Statements

Note 16: Commitments and Contingencies (Continued)

ICAP received CDBG loans from the City of Sioux Falls for the purpose of loaning these funds to the Horizon Place Apartments Limited Partnership ("Horizon Place") for the purchase and development of various properties within the City of Sioux Falls. These loan agreements contain specific restrictions on the use and disposition of the properties with a term of 30 years. The total amount loaned under this agreement for eligible purposes was \$900,000. If ICAP violates any of the restrictions on the property, the funds used to purchase and develop the property will become payable to the City of Sioux Falls.

The City of Sioux Falls and Horizon Place agreed to the assignment of another liability for a 0% mortgage note payable to the City of Sioux Falls in the amount of \$350,000 previously recognized as permanently restricted grant revenue. The loan is required to be repaid in its entirety on the earlier of May 11, 2033, the removal of the project from the Low Income Housing Tax Credit program, if the property is ever conveyed or control relinquished by ICAP, or if the agreement is ever terminated for noncompliance. While the City of Sioux Falls has agreed to assign the responsibilities for the repayment of this note to the Horizon Place Apartments Limited Partnership, ICAP remains joint and severally liable for this note under the terms of this agreement. Because the revised note has a limited term and requires repayment, this amount in permanently restricted net assets was converted to a note payable in the current year.

Note 17: Grant Awards

At September 30, 2017, ICAP had commitments under various grants of approximately \$4,850,742. 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, 2017

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
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	\$ 66,583
Rural Self-Help Rehabilitation Technical Assistance 12 County	10.420	U.S.D.A. Rural Development Department	Grant # 41	08/01/2017 - 07/31/2019	16,356
Rural Self-Help Housing Technical Assistance - 14 County	10.420	U.S.D.A. Rural Development Department	Grant # 40	09/01/2015 - 06/30/2018	<u>145,769</u>
Total Federal Expenditures CFDA 10.420					<u>228,708</u>
Child and Adult Care Food Program - U.S.D.A. Reimbursement	10.558	South Dakota Department of Education and Cultural Affairs	N/A	10/01/2016-09/30/2017	<u>164,788</u>
Commodity Supplemental Food Program (CSFP)	10.565	South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services	N/A	10/01/2016-09/30/2017	47,825
Commodity Supplemental Food Program (CSFP)	10.565	South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services	N/A	10/01/2016-09/30/2017	<u>1,414</u>
Total Federal Expenditures CFDA 10.565					<u>49,239</u>
The Emergency Food Assistance Program (TEFAP)	10.569	South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services	N/A	07/01/2016-06/30/2017	4,289
The Emergency Food Assistance Program (TEFAP)	10.569	South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services	N/A	07/01/2017-06/30/2018	<u>197</u>
Total Federal Expenditures CFDA 10.569					<u>4,486</u>
Total Food Distribution Cluster (CFDA 10.565, 10.568, and 10.569)					<u>53,725</u>
Total U.S. Department of Agriculture					<u>447,221</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Housing Counseling Assistance Program	14.169	South Dakota Housing Development Authority	HC160841003	10/01/2015 - 03/31/2017	6,890
Housing Counseling Assistance Program	14.169	South Dakota Housing Development Authority	HC170841004	10/01/2016 - 03/31/2018	<u>2,643</u>
Total Federal Expenditures CFDA 14.169					<u>9,533</u>
Community Development Block Grant Bright Futures - TRBA	14.218	Sioux Falls Community Development	16-4154	08/01/2016 - 07/31/2017	80,777
Community Development Block Grant Bright Futures - TRBA	14.218	Sioux Falls Community Development	17-4225	08/01/2017 - 07/31/2018	21,595

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards and List of Programs.

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2017

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)					
Community Development Block Grant - Horizon Place Apartments Limited Partnership	14.218	City of Sioux Falls	16-4156	08/01/2016 - 09/01/2049	<u>900,000</u>
		Total Federal Expenditures CFDA 14.218			<u>1,002,372</u>
		Total CDBG Entitlement Grants Cluster (CFDA 14.218, 14.225)			<u>1,002,372</u>
Emergency Solutions Grant Program	14.231	South Dakota Housing Development Authority	E-15-DC-46-0001-09	04/07/2017 - 06/15/2017	<u>28,915</u>
		Total Federal Expenditures CFDA 14.231			<u>28,915</u>
HOME Investment Partnership Program - Homeless Assistance	14.239	City of Sioux Falls	16-4155	08/01/2016 - 07/31/2017	28,819
HOME Investment Partnership Program - Home Rehabilitation	14.239	South Dakota Housing Development Authority	N/A	10/01/2015 - 12/31/2016	40,882
HOME Investment Partnership Program - Home Rehabilitation	14.239	South Dakota Housing Development Authority	N/A	10/01/2016 - 12/31/2017	87,206
HOME Investment Partnership Program - Security Deposit Assistance Program	14.239	South Dakota Housing Development Authority	N/A	10/14/2016 - 10/31/2017	13,375
		Total Federal Expenditures CFDA 14.239			<u>170,282</u>
Self-Help Homeownership Opportunity Program	14.247	Department of Housing and Urban Development	HLP-204-1706	09/12/2017 - 06/30/2020	<u>30,000</u>
Continuum of Care Program - PIT-HIC	14.267	Department of Housing and Urban Development	N/A	11/01/2016 - 10/31/2017	4,779
Continuum of Care Program - Heartland Transitional Housing	14.267	Department of Housing and Urban Development	SD0006L8T001507	02/01/2016-01/31/2017	132,289
Continuum of Care Program - Heartland Transitional Housing	14.267	Department of Housing and Urban Development	SD0019L8T001504	09/01/2016 - 08/31/2017	121,810
Continuum of Care Program - Heartland Rapid Re-housing	14.267	Department of Housing and Urban Development	SD0023L8T001600	05/01/2017 - 04/30/2018	87,738
Continuum of Care Program - Heartland Rapid Re-housing	14.267	Department of Housing and Urban Development	SD0024L8T001600	09/01/2017 - 08/31/2018	<u>1,501</u>
		Total Federal Expenditures CFDA 14.267			<u>348,117</u>
Total U.S. Department of Housing and Urban Development					<u><u>1,589,218</u></u>

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards and List of Programs.

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2017

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION					
Formal Grants for Rural Areas - Transportation	20.509	South Dakota Department of Transportation	811464	10/01/2016 - 09/30/2017	54,420
Formal Grants for Rural Areas - Training	20.509	South Dakota Department of Transportation	SD-2016-002	10/01/2016 - 09/30/2017	522
Formal Grants for Rural Areas - Training	20.509	South Dakota Department of Transportation	SD-2017-003	10/01/2016 - 09/30/2017	725
Total Federal Expenditures CFDA 20.509					55,667
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	South Dakota Department of Transportation	811437	10/01/2016 - 09/30/2017	1,766
Total Transit Services Program Cluster (CFDA 20.513, 20.516, 20.521)					1,766
Bus and Bus Facilities Formula Program - Equipment	20.526	South Dakota Department of Transportation	811517	10/01/2016 - 09/30/2017	733
Total U.S. Department of Transportation					58,166
U.S. DEPARTMENT OF THE TREASURY					
Volunteer Income Tax Assistance VITA Matching Grant Program	21.009	Rural Office of Community Services Community Action Program	17VITA0087	08/01/2016 - 07/31/2017	9,200
Total U.S. Department of the Treasury					9,200
U.S. DEPARTMENT OF ENERGY					
Weatherization Assistance for Low-Income Persons - Weatherization	81.042	South Dakota Department of Social Services	17-0821-601	07/01/2016 - 06/30/2017	369,208
Weatherization Assistance for Low-Income Persons - Weatherization	81.042	South Dakota Department of Social Services	18-0821-601	07/01/2017 - 06/30/2018	107,722
Total Federal Expenditures CFDA 81.042					476,930
Total U.S. Department of Energy					476,930
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
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	811464	10/01/2016 - 09/30/2017	4,631
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	204,732
Special Programs for the Aging - Title III Part C - Nutrition Services Congregate Dining	93.045	South Dakota Department of Social Services	9193-607-016 18	06/01/2017 - 05/31/2018	148,592
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	56,841

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards and List of Programs.

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2017

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Special Programs for the Aging - Title III Part C - Nutrition Services Home Delivered Meals	93.045	South Dakota Department of Social Services	9193-607-016 18	06/01/2017 - 05/31/2018	<u>63,576</u>
	Total Federal Expenditures CFDA 93.045				<u>473,741</u>
Nutrition Services Incentive Program	93.053	South Dakota Department of Social Services	17-0832-620	06/01/2016 - 05/31/2017	89,492
Nutrition Services Incentive Program		South Dakota Department of Social Services	9193-607-016 18	06/01/2017 - 05/31/2018	<u>48,984</u>
	Total Federal Expenditures CFDA 93.053				<u>138,476</u>
	Total Aging Cluster (CFDA 93.044, 93.045, 93.053)				<u>616,848</u>
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	177,349
Cooperative Agreement to Support Navigators in Federally- facilitated and State Partnership Marketplaces	93.332	U.S. Department of Health and Human Services	1NAVCA150264-03-00	09/13/2017 - 09/12/2018	<u>9,862</u>
	Total Federal Expenditures CFDA 93.332				<u>187,211</u>
Low-Income Home Energy Assistance	93.568	South Dakota Department of Social Services	17-0821-605	07/01/2016 - 06/30/2017	217,939
Low-Income Home Energy Assistance	93.568	South Dakota Department of Social Services	18-0821-605	07/01/2017 - 06/30/2018	<u>24,420</u>
	Total Federal Expenditures CFDA 93.568				<u>242,359</u>
Community Services Block Grant	93.569	South Dakota Department of Social Services	17-0821-609	06/01/2016 - 05/31/2017	689,414
Community Services Block Grant	93.569	South Dakota Department of Social Services	18-0821-609	06/01/2017 - 05/31/2018	336,584
Community Services Block Grant Discretionary Awards	93.569	South Dakota Community Action Partnership	90ET0440-02-00	09/30/2016 - 09/29/2017	<u>18,543</u>
	Total Federal Expenditures CFDA 93.569				<u>1,044,541</u>
Child Abuse Challenge Grants	93.590	South Dakota Department of Social Services	17sc086021	06/01/2016 - 05/31/2017	959
Child Abuse Challenge Grants	93.590	South Dakota Department of Social Services	18sc086020	06/01/2017 - 05/31/2018	<u>845</u>
	Total Federal Expenditures CFDA 93.590				<u>1,804</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - SFC	93.596	South Dakota Department of Social Services	N/A	10/01/2016 - 09/30/2017	53,235
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Madison	93.596	South Dakota Department of Social Services	N/A	10/01/2016 - 09/30/2017	<u>9,830</u>
	Total CCDF Cluster (CFDA 93.575, 93.596)				<u>63,065</u>

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards and List of Programs.

Inter-Lakes Community Action Partnership, Inc.

Schedule of Expenditures of Federal Awards and List of Programs (Continued) Year Ended September 30, 2017

Federal Grantor/Program Title	CFDA Number	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	770,456
Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	6,083
Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/04	02/01/2017 - 01/31/2018	1,098,438
Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/04	02/01/2017 - 01/31/2018	21,291
Early Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	777,345
Early Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/03	02/01/2016 - 01/31/2017	21,081
Early Head Start	93.600	U.S. Department of Health and Human Services	08-CH1048/04	02/01/2017 - 01/31/2018	1,464,928
Early Head Start - T&TA	93.600	U.S. Department of Health and Human Services	08-CH1048/04	02/01/2017 - 01/31/2018	<u>30,356</u>
Total Federal Expenditures CFDA 93.600					<u>4,189,978</u>
Assets for Independence Act	93.602	Northeast South Dakota Community Action Program	N/A	09/01/2014 - 09/29/2019	<u>9,217</u>
Total U.S. Department of Health and Human Services					<u>6,355,023</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Emergency Food and Shelter National Board Program	97.024	Feeding South Dakota	Phase 33	01/01/2016 - 01/31/2017	22,111
Emergency Food and Shelter National Board Program	97.024	Feeding South Dakota	Phase 33	11/01/2015 - 08/31/2017	<u>2,717</u>
Total Federal Expenditures CFDA 97.024					<u>24,828</u>
Total U.S. Department of Homeland Security					<u>24,828</u>
Total Federal Expenditures					<u>\$ 8,960,586</u>

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards and List of Programs.

Inter-Lakes Community Action Partnership, Inc.

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

Year Ended September 30, 2017

Grantor/Program Title	Fund Source/ Pass-Through Entity	Agency I.D. Number	Program Period
STATE AND LOCAL PROGRAMS			
ICARE	MidAmerican Energy	N/A	01/01/2016 - 12/31/2016
ICARE	MidAmerican Energy	N/A	01/01/2017 - 12/31/2017
VSN	United Way	N/A	01/01/2016 - 12/31/2016
VSN	United Way	N/A	01/01/2017 - 12/31/2017
City of Brandon Transit	South Dakota Department of Transportation	811465	10/01/2016 - 09/30/2017
East Dakota Transit - Madison	South Dakota Department of Transportation	811525	10/01/2016 - 09/30/2017
City of Dell Rapids Transit	South Dakota Department of Transportation	811523	10/01/2016 - 09/30/2017
City of Hartford Transit	South Dakota Department of Transportation	811509	10/01/2016 - 09/30/2017
Formula Grants for Rural Areas - State funds	South Dakota Department of Transportation	811464	10/01/2016 - 09/30/2017
Nutrition Services - State Funds	South Dakota Department of Social Services	17-0832-620	06/01/2016 - 05/31/2017
Nutrition Services - State Funds	South Dakota Department of Social Services	9193-607-016 18	06/01/2017 - 05/31/2018
Build Your Own House	Citibank	N/A	Indefinite
Homeownership Education Resource Organization (HERO)	South Dakota Housing Development Authority	N/A	07/01/2016-06/30/2017
Homeownership Education Resource Organization (HERO)	South Dakota Housing Development Authority	N/A	07/01/2017-06/30/2018
Wal-Mart Nutrition Grant	Wal-Mart Impact Grant Program	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
Dakota Pride Scholarship	Dakota Business Finance	N/A	Indefinite
NW Energy	Northwestern Energy	N/A	01/03/2017-12/31/2017
America's Farmers Grow Communities	Monsanto Fund	N/A	05/03/2017-05/02/2018
Various programs	Interlake's Area United Way	N/A	01/01/2017-12/31/2017
Various programs	Watertown Area United Way	N/A	01/01/2017-12/31/2017
Various programs	Brookings United Way	N/A	01/01/2017-12/31/2017
DISCRETIONARY			
Unrestricted Programs	Various		10/01/2016 - 09/30/2017

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards and List of Programs.

Inter-Lakes CAP, Inc.

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

Note A: General

The accompanying Schedule of Expenditures of Federal Awards and List of Programs (the "Schedule") includes the federal grant activity under programs of the federal government for the year ended September 30, 2017. 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 CAP, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Inter-Lakes CAP, Inc.

Note B: 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 CAP, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance. No amounts have been passed through to subrecipients for the year ended September 30, 2017.

Note C: Federal Loans Payable

Federal expenditures for the U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant program include balance of a loans outstanding. This particular loan was funded by a grant from the HUD to the City of Sioux Falls who passed through these funds in the form of a low-interest loan and for which the grantor imposes continuing compliance requirements. Total principal on this loan was \$900,000 which was used to loan money to Horizon Place Apartments Limited Partnership for to finance eligible activities including the provision of housing to low income and homeless families. Principal payments were not yet due on this loan.

	CDBG Loan
Balance October 1, 2016	\$ -
Principal added	900,000
Repayments	-
Balance September 30, 2017	\$ 900,000



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

Board of Directors
Inter-Lakes CAP, Inc.
Madison, South Dakota

We have audited, 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, the financial statements of Inter-Lakes CAP, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, 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 17, 2018.

Auditor's Responsibility

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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 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 or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inter-Lakes CAP, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 CAP, 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 CAP, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

January 17, 2018
Minneapolis, Minnesota



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

Board of Directors
Inter-Lakes CAP, Inc.
Madison, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Inter-Lakes CAP, 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, 2017. Inter-Lakes CAP, 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 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 CAP, 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 CAP, 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 a legal determination on Inter-Lakes CAP, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Inter-Lakes CAP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Inter-Lakes CAP, 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 CAP, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 CAP, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Wipfli LLP

Wipfli LLP

January 17, 2018
Minneapolis, Minnesota

Inter-Lakes CAP, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

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?	No
Noncompliance material to financials 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	Unmodified
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 Programs</u>	<u>CFDA No.</u>
U.S. Department of Agriculture Rural Self-Help Housing Technical Assistance	10.420
US Department of Housing and Urban Development Community Development Block Grant Entitlement Grants Cluster	14.218
US Department of Health and Human Services 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 CAP, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Status of Prior Year Findings and Questioned Costs

Finding 2016-001 - Accounting for Leases

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.

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

Status: This has been resolved.