

Inter-Lakes Community Action Partnership, Inc.

Madison, South Dakota

Financial Statements and Supplementary Information

Year Ended September 30, 2019

WIPFLi^{LLP}
CPAs and Consultants

Inter-Lakes Community Action Partnership, Inc.

Year Ended September 30, 2019

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Independent Auditor's Report

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

Report on the 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, 2019, 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, 2019, 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.

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 23-29 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 15, 2020, 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 Community Action Partnership, 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 15, 2020
Minneapolis, Minnesota

Inter-Lakes Community Action Partnership, Inc.

Statement of Financial Position

September 30, 2019

Assets

Current assets:

| | | |
|---------------------------|----|-----------|
| Cash and cash equivalents | \$ | 1,421,096 |
| Investments | | 642,365 |
| Grants receivable | | 663,628 |
| Accounts receivable | | 168,279 |
| Other assets | | 157,704 |

| | | |
|----------------------|--|-----------|
| Total current assets | | 3,053,072 |
|----------------------|--|-----------|

Restricted cash and deposits:

| | | |
|----------------|--|--------|
| Custodial cash | | 55,789 |
| Cash reserves | | 33,320 |

| | | |
|------------------------------------|--|--------|
| Total restricted cash and deposits | | 89,109 |
|------------------------------------|--|--------|

| | | |
|-----------------------------|--|-----------|
| Property and equipment, net | | 3,109,202 |
|-----------------------------|--|-----------|

Other assets:

| | | |
|---|--|-----------|
| Development fee receivable | | 350,232 |
| Investment in limited partnership | | 511 |
| Investment in and notes receivable from limited partnership | | 1,220,000 |

| | | |
|--------------------|--|-----------|
| Total other assets | | 1,570,743 |
|--------------------|--|-----------|

| | | |
|--------------|----|-----------|
| Total assets | \$ | 7,822,126 |
|--------------|----|-----------|

Liabilities and Net Assets

Liabilities:

| | | |
|--------------------------------------|----|---------|
| Current portion of notes payable | \$ | 66,297 |
| Accounts payable | | 241,084 |
| Accrued payroll and related expenses | | 687,724 |
| Grant funds received in advance | | 100,158 |
| Funds held for others | | 55,789 |

| | | |
|---------------------------|--|-----------|
| Total current liabilities | | 1,151,052 |
|---------------------------|--|-----------|

Long-term debt:

| | | |
|-------------------------------------|--|-----------|
| Notes payable, less current portion | | 2,252,572 |
|-------------------------------------|--|-----------|

| | | |
|----------------------|--|-----------|
| Total long-term debt | | 2,252,572 |
|----------------------|--|-----------|

| | | |
|-------------------|--|-----------|
| Total liabilities | | 3,403,624 |
|-------------------|--|-----------|

Net assets:

| | | |
|----------------------------|--|-----------|
| Without Donor Restrictions | | 4,337,502 |
| With Donor Restrictions | | 81,000 |

| | | |
|------------------|--|-----------|
| Total net assets | | 4,418,502 |
|------------------|--|-----------|

| | | |
|----------------------------------|----|-----------|
| Total liabilities and net assets | \$ | 7,822,126 |
|----------------------------------|----|-----------|

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Activities

Year Ended September 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Revenue: | | | |
| Prior year's grant funds received in advance | \$ - | \$ 89,161 | \$ 89,161 |
| Current year grant awards | - | 10,049,565 | 10,049,565 |
| Grant funds received in advance | - | (100,158) | (100,158) |
| Net grant revenue | - | 10,038,568 | 10,038,568 |
| Commodity foods received | - | 41,706 | 41,706 |
| Program income | - | 653,421 | 653,421 |
| Investment income | 53,143 | 51 | 53,194 |
| In-kind revenue | 46,233 | - | 46,233 |
| Loss on disposal of assets | (142,295) | (79,124) | (221,419) |
| Capital lease obligation forgiveness | 95,323 | - | 95,323 |
| Contributions | - | 124,749 | 124,749 |
| Development fee | 350,232 | - | 350,232 |
| Other income | 160,208 | 223,526 | 383,734 |
| Net assets released from restriction through satisfaction of program restrictions | 11,122,521 | (11,122,521) | - |
| Total revenue | 11,685,365 | (119,624) | 11,565,741 |
| Expenses: | | | |
| Program services: | | | |
| Early Childhood Education | 4,474,970 | - | 4,474,970 |
| Food Program | 1,559,796 | - | 1,559,796 |
| Community Services | 1,327,621 | - | 1,327,621 |
| Weatherization Energy Assistance | 767,153 | - | 767,153 |
| Housing Programs | 527,724 | - | 527,724 |
| Homeless Housing Programs | 981,755 | - | 981,755 |
| Transit Programs | 545,736 | - | 545,736 |
| Emergency Services | 90,591 | - | 90,591 |
| Discretionary | 89,340 | - | 89,340 |
| Total program services | 10,364,686 | - | 10,364,686 |
| Management and general | 896,302 | - | 896,302 |
| Fund-raising | 14,523 | - | 14,523 |
| Total expenses | 11,275,511 | - | 11,275,511 |
| Change in net assets | 409,854 | (119,624) | 290,230 |
| Net assets - Beginning of year, as previously stated | 3,432,361 | 695,911 | 4,128,272 |
| Adoption of accounting standard | 495,287 | (495,287) | - |
| Net assets - Beginning of year, as restated | 3,927,648 | 200,624 | 4,128,272 |
| Net assets - End of year | \$ 4,337,502 | \$ 81,000 | \$ 4,418,502 |

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Functional Expenses

Year Ended September 30, 2019

| | Program Services | | | | | | | | | | Management and General | Fund Raising | Total |
|----------------------------------|---------------------------------|---------------------|-----------------------|--|---------------------|---------------------------------|---------------------|-----------------------|------------------|----------------------|------------------------------|------------------|----------------------|
| | Early Childhood Education | Food Program | Community Services | Weatherization Energy Assistance | Housing Programs | Homeless Housing Programs | Transit Programs | Emergency Services | Discretionary | Subtotal | | | |
| Personnel | \$ 3,463,299 | \$ 487,007 | \$ 888,435 | \$ 189,263 | \$ 232,535 | \$ 370,640 | \$ 389,404 | \$ 3,170 | \$ 11,485 | \$ 6,035,238 | \$ 706,446 | \$ 11,159 | \$ 6,752,843 |
| Consultants and contract labor | 129,906 | 5,964 | 34,057 | 2,817 | 2,753 | 15,556 | 45,426 | - | 20 | 236,499 | 32,569 | 308 | 269,376 |
| Travel | 22,604 | 10,122 | 21,093 | 12,616 | 9,974 | 4,377 | 27,798 | 12 | 8,014 | 116,610 | 6,938 | 481 | 124,029 |
| Rent | 83,626 | 8,655 | 23,502 | 4,997 | 5,634 | 1,373 | 2,111 | - | 823 | 130,721 | 32,662 | - | 163,383 |
| Consumable supplies | 197,115 | 9,479 | 27,125 | 3,589 | 6,705 | 5,914 | 3,564 | - | 1,276 | 254,767 | 44,543 | 74 | 299,384 |
| Direct client assistance | 13,088 | 955,141 | 137,925 | 520,686 | 244,245 | 462,475 | 518 | 87,403 | 80 | 2,421,561 | - | - | 2,421,561 |
| Repairs/maintenance | 118,076 | 9,162 | 39,322 | 2,372 | 797 | 24,528 | 24,309 | - | 4,253 | 222,819 | 14,827 | 27 | 237,673 |
| In-kind expense | 46,233 | - | - | - | - | - | - | - | - | 46,233 | - | - | 46,233 |
| Interest | 34,283 | - | 10,360 | - | - | - | - | - | 975 | 45,618 | - | - | 45,618 |
| Depreciation | 109,251 | 3,460 | 21,312 | 2,168 | 639 | 29,187 | 1,397 | - | 9,419 | 176,833 | - | - | 176,833 |
| Commodity foods distributed | - | 41,706 | - | - | - | - | - | - | - | 41,706 | - | - | 41,706 |
| Other/program support | 257,489 | 29,100 | 124,490 | 28,645 | 24,442 | 67,705 | 51,209 | 6 | 52,995 | 636,081 | 58,317 | 2,474 | 696,872 |
| Total functional expenses | \$ 4,474,970 | \$ 1,559,796 | \$ 1,327,621 | \$ 767,153 | \$ 527,724 | \$ 981,755 | \$ 545,736 | \$ 90,591 | \$ 89,340 | \$ 10,364,686 | \$ 896,302 | \$ 14,523 | \$ 11,275,511 |

See accompanying notes to financial statements.

Inter-Lakes Community Action Partnership, Inc.

Statement of Cash Flows

Year Ended September 30, 2019

| | |
|---|--------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 290,230 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 176,833 |
| Capital lease obligation principal forgiveness | (95,323) |
| Capital lease obligation interest forgiveness | 3,462 |
| Loss on disposal of property and equipment | 221,419 |
| Unrealized and realized gains on investments | (11,462) |
| Changes in operating assets and liabilities: | |
| Grants receivable | (62,271) |
| Accounts receivable | 18,688 |
| Other assets | 14,358 |
| Development fee receivable | (350,232) |
| Accounts payable | (4,282) |
| Accrued payroll and related expenses | 9,394 |
| Grant funds received in advance | 10,997 |
| Rent repayable | (7,000) |
| Funds held for others | (92,188) |
| Net cash provided by operating activities | 122,623 |
| Cash flows from investing activities: | |
| Purchase of property and equipment | (183,168) |
| Proceeds from sale of property and equipment | 283,391 |
| Proceeds from redemption of certificates of deposit | 27,973 |
| Purchase of investments | (76,255) |
| Investment in limited partnership | (511) |
| Proceeds from sale of investments | 67,096 |
| Net cash provided by investing activities | 118,526 |
| Cash flows from financing activities: | |
| Principal payments on notes payable | (32,688) |
| Proceeds from notes payable | 183,583 |
| Payments on capital lease obligation | (187,400) |
| Net cash used in financing activities | (36,505) |
| Net change in cash and cash equivalents | 204,644 |
| Cash and cash equivalents - Beginning of year | 1,305,561 |
| Cash and cash equivalents - End of year | \$ 1,510,205 |
| Reconciliation to statement of financial position: | |
| Cash and cash equivalents | \$ 1,421,096 |
| Custodial cash | 55,789 |
| Cash reserves | 33,320 |
| Cash and cash equivalents per statement of financial position | \$ 1,510,205 |
| Supplemental Schedule of Cash and Noncash Activity: | |
| Contributions received for capital lease forgiveness | \$ 95,323 |
| Interest paid | \$ 45,618 |

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 78% of total revenue, including the Head Start grant that comprises 42% 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 60s 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 meals 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 Community Action Partnership, 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, provide 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 to obtain a safe and affordable home, offer education and counseling to families who want to purchase a home, and provide security deposit assistance.

Homeless Housing 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 Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization 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 net assets without donor restrictions unless the income or loss is restricted by donor or law.

Receivables and Credit Policies

Accounts receivable 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 Community Development Block Grant (CDBG) loans from the City of Sioux Falls 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. Currently, an allowance has not been determined to be necessary. 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 Community Action Partnership, 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.

Net Assets

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

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 net assets with donor restrictions, which are reclassified to net assets without donor restrictions 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)

Contribution Revenue

Contributions and grants, including unconditional promises to give, are recognized as with or without donor restrictions depending on the nature of the restriction. 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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Development Fee Receivable

Development fee receivable represents amounts earned but not collected from participation as the developer in the Horizon Place Apartments Limited Partnership, LP. Management assesses the collectability of these amounts based on projected cash flow of the projects, priority of payment, and past collection history. The receivable is stated at the amount of the unpaid development fee of \$350,232 that is to be collected based on future cash flows of the Horizon Place Apartments Limited Partnership, LP.

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 \$1,289,933 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.

Functional Allocation

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 Community Action Partnership, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation (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 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.

Change in Accounting Policy

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and nature, netting of investment expenses with return, among other changes. This guidance was adopted effective October 1, 2018.

Prior to the adoption of the ASU, the Organization had a policy of implying a time restriction for property and equipment acquired with grant funds. Under the time restriction policy, the net asset value of property and equipment acquired with grant funds were reported as a temporarily or permanently restricted net asset, depending on the nature of the restriction. The ASU requires a placed-in-service approach in which net assets for property and equipment acquired with grant funds are reported as without donor restrictions. Accordingly, permanently restricted net assets of \$495,287 were transferred to net assets without donor restrictions on October 1, 2018.

Subsequent Events

ICAP has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 15, 2020, which is the date the financial statements were available to be issued.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of September 30, 2019:

| | |
|--|--------------|
| Cash and cash equivalents | \$ 1,421,096 |
| Grants receivable | 663,628 |
| Accounts receivable | 168,279 |
| Investments | 642,365 |
| <hr/> | |
| Subtotal financial assets | 2,895,368 |
| Less: Current portion of notes payable | (66,297) |
| Less: Accounts payable | (241,084) |
| Less: Accrued payroll and related expenses | (687,724) |
| Less: Grant funds received in advance | (100,158) |
| Less: Designated investments | (239,397) |
| Less: Restricted Investments | (2,000) |
| <hr/> | |
| Total | \$ 1,558,708 |

ICAP does not have a formal liquidity policy but generally maintains financial assets in liquid form as cash and cash equivalents for approximately one to two months of operating expenses. ICAP has grant commitments available for future expenses in the amount of \$4,443,755 described in Note 16.

Note 3: 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 Community Action Partnership, Inc.

Notes to Financial Statements

Note 4: Investments

ICAP maintains investment funds with a bank in Sioux Falls, South Dakota. Investments are stated at fair value. As of September 30, 2019, investments consisted of the following:

| | Cost | Fair Value | Cumulative Unrealized Gain |
|-------------------------|-------------------|-------------------|----------------------------------|
| Mutual funds | \$ 242,463 | \$ 278,467 | \$ 36,004 |
| Fixed income securities | 363,433 | 363,898 | 465 |
| Totals | \$ 605,896 | \$ 642,365 | \$ 36,469 |

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, 2019, is summarized as follows:

| | |
|-------------------------------|------------------|
| Interest and dividends | \$ 44,178 |
| Investment fees | (2,446) |
| Unrealized and realized gains | 11,462 |
| Net investment income | \$ 53,194 |

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 5: 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 Community Action Partnership, Inc.

Notes to Financial Statements

Note 5: 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, 2019:

| | Fair Value Measurements Using | | | Total Assets at Fair Value |
|-------------------------|-------------------------------|-------------------|-------------|-------------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Mutual funds | \$ - | \$ 278,467 | \$ - | 278,467 |
| Fixed income securities | - | 363,898 | - | 363,898 |
| Totals | \$ - | \$ 642,365 | \$ - | 642,365 |

Note 6: 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 \$55,789 on September 30, 2019.

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, 2019, was \$33,320.

Note 7: Property and Equipment

Property and equipment consisted of the following at September 30, 2019:

| | |
|------------------------------------|---------------------|
| Land | \$ 345,938 |
| Vehicles | 970,115 |
| Buildings | 2,901,465 |
| Equipment and fixtures | 452,395 |
| Construction in progress | 79,630 |
| Subtotal | 4,749,543 |
| Accumulated depreciated | (1,640,341) |
| Property and equipment, net | \$ 3,109,202 |

Construction in progress consisted of architecture fees paid on ICAP's office building in the amount of \$79,630.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 8: 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.

Notes Receivable

As of September 30, 2019, the notes receivable from Horizon Place consisted of the following:

| | |
|--|--------------|
| \$900,000 note receivable at 1.75% interest, with 30 annual payments of \$37,237, with the first payment due September 1, 2019, and maturing on September 1, 2048. The note is collateralized by real estate. | \$ 870,000 |
| \$350,000 note receivable at 1.75% 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 | \$ 1,220,000 |

Interest income from notes receivable for the year ended September 30, 2019 was \$20,661. Accrued interest receivable at September 30, 2019 was \$52,098.

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, 2019, no provision for uncollectible loans receivable was considered necessary based on these criteria. ICAP invested a capital contribution of \$511 towards Horizon Place during the year ended September 30, 2019 and is reflected as investment in limited partnership on the statement of financial position.

The aggregate financial status and activity for Horizon Place as of and for the year ended September 30, 2019 was as follows:

| | |
|--------------------|--------------|
| Assets | \$ 7,692,376 |
| Less - Liabilities | 3,213,097 |
| Equity | \$ 4,479,279 |
| Net income | \$ 114,286 |

Note 9: 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 \$55,789 on September 30, 2019.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 10: Notes Payable

The Organization has the following notes payable as of September 30, 2019:

| | |
|--|--------------|
| 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. | \$ 902,211 |
| 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. | 870,000 |
| 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 |
| Notes payable in the amount of \$183,583 to First Bank & Trust at 5.50% interest, with monthly payments including principal and interest of \$1,504, due December 2033, collateralized by real estate. | 177,154 |
| Notes payable in the amount of \$23,600 to First Bank & Trust at 4.50% interest, with monthly payments including principal and interest of \$375, due July 2024, collateralized by a cargo van. | 19,504 |
| Total notes payable | 2,318,869 |
| Less: Current maturities of notes payable | (66,297) |
| Long-term maturities of notes payable | \$ 2,252,572 |

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

| | |
|------------|--------------|
| 2020 | \$ 66,297 |
| 2021 | 67,851 |
| 2022 | 69,473 |
| 2023 | 71,167 |
| 2024 | 72,147 |
| Thereafter | 1,971,934 |
| Total | \$ 2,318,869 |

Interest expense for notes payable for the year ended September 30, 2019, was \$45,618.

Inter-Lakes Community Action Partnership, 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 \$208,611 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, 2019, was \$163,383.

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

| | | |
|----------------------------|----|---------|
| 2020 | \$ | 120,531 |
| 2021 | | 60,848 |
| 2022 | | 27,232 |
| <hr/> | | |
| Net minimum lease payments | \$ | 208,611 |

Note 12: Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2019, consisted of the following:

| | | |
|--|----|--------|
| Housing Assistance Council (HAC) - SHOP 2013 (a) | \$ | 81,000 |
| <hr/> | | |
| Total | \$ | 81,000 |

- (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% of the funds 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 net assets with donor restrictions 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 net assets with donor restrictions. HAC will make a determination on the eligibility of the forgivable portion of the loan for any units completed and occupied after September 30, 2019. The note balance of \$81,000 (SHOP 2013) is recorded as net assets with donor restrictions.

Net assets released from restriction through satisfaction of program restrictions at September 30, 2019, consisted of \$11,122,521 of grant related expenditures.

Inter-Lakes Community Action Partnership, Inc.

Notes to Financial Statements

Note 13: 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, 2019, ICAP received \$15,006 from the fund, recorded as other income. As of September 30, 2019, the balance of these funds with the Foundation was \$376,534, and is not recorded on ICAP's financial statements.

Note 14: Tax-Deferred Annuity Plan

During the year ended September 30, 2019, 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 \$117,926 to the plan for the year ended September 30, 2019.

Note 15: 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 Community Action Partnership, Inc.

Notes to Financial Statements

Note 15: 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.

Note 16: Grant Awards

At September 30, 2019, ICAP had commitments under various grants of \$4,443,755. 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, 2019

| 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 # 41 | 08/01/2017 - 12/31/2019 | \$ 171,193 |
| Rural Self-Help Housing Technical Assistance - 14 County | 10.420 | U.S.D.A. Rural Development Department | Grant # 40 | 09/01/2015 - 11/30/2018 | 7,447 |
| Rural Self-Help Housing Technical Assistance - 14 County | 10.420 | U.S.D.A. Rural Development Department | Grant # 42 | 03/01/2018 - 02/28/2020 | <u>121,626</u> |
| Total Federal Expenditures CFDA 10.420 | | | | | <u>300,266</u> |
| Child and Adult Care Food Program - U.S.D.A. Reimbursement | 10.558 | South Dakota Department of Education and Cultural Affairs | N/A | 10/01/2018-09/30/2019 | <u>191,124</u> |
| Commodity Supplemental Food Program (CSFP) | 10.565 | South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services | N/A | 10/01/2018-09/30/2019 | 41,706 |
| Commodity Supplemental Food Program (CSFP) | 10.565 | South Dakota Department of Education and Cultural Affairs Child and Adult Nutrition Services | N/A | 10/01/2018-09/30/2019 | <u>1,024</u> |
| Total Federal Expenditures Food Distribution Cluster | | | | | <u>42,730</u> |
| Total U.S. Department of Agriculture | | | | | <u>534,120</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | |
| Housing Counseling Assistance Program | 14.169 | South Dakota Housing Development Authority | HC190841004 | 10/01/2018 - 03/31/2020 | <u>1,483</u> |
| Community Development Block Grant - Horizon Place Apartments Limited Partnership | 14.218 | City of Sioux Falls | 16-4156 | 08/01/2016 - 09/01/2049 | 900,000 |
| Community Development Block Grant Bright Futures - TRBA | 14.218 | Sioux Falls Community Development | 18-4237 | 08/01/2018 - 07/31/2019 | 115,567 |
| Community Development Block Grant Bright Futures - TRBA | 14.218 | Sioux Falls Community Development | 19-4287 | 08/01/2019 - 01/31/2020 | <u>23,816</u> |
| Total CDBG Entitlement Grants Cluster (CFDA 14.218) | | | | | <u>1,039,383</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, 2019

| 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) | | | | | |
| Emergency Solutions Grant Program | 14.231 | South Dakota Housing Development Authority | E-17-DC-46-0001-09 | 09/25/2017 - 03/25/2019 | 42,006 |
| Emergency Solutions Grant Program | 14.231 | South Dakota Housing Development Authority | E-17-DC-46-0001-09 | 09/25/2017 - 08/27/2019 | 6,920 |
| Emergency Solutions Grant Program | 14.231 | South Dakota Housing Development Authority | E-18-DC-46-0001-09 | 09/04/2018 - 03/04/2020 | <u>41,555</u> |
| Total Federal Expenditures CFDA 14.231 | | | | | <u>90,481</u> |
| HOME Investment Partnership Program - Home Rehabilitation | 14.239 | South Dakota Housing Development Authority | N/A | 11/20/2017 - 01/31/2019 | 16,563 |
| HOME Investment Partnership Program - Home Rehabilitation | 14.239 | South Dakota Housing Development Authority | N/A | 09/18/2018 - 12/31/2019 | 134,619 |
| HOME Investment Partnership Program - Security Deposit Assistance Program | 14.239 | South Dakota Housing Development Authority | N/A | 11/01/2017 - 12/31/2018 | 2,665 |
| HOME Investment Partnership Program - Security Deposit Assistance Program | 14.239 | South Dakota Housing Development Authority | N/A | 10/03/2018 - 10/30/2019 | <u>15,899</u> |
| Total Federal Expenditures CFDA 14.239 | | | | | <u>169,746</u> |
| Continuum of Care Program - PIT-HIC | 14.267 | Department of Housing and Urban Development | N/A | 11/15/2018 - 11/14/2019 | 1,649 |
| Continuum of Care Program - CES | 14.267 | Department of Housing and Urban Development | N/A | 07/01/2019 - 07/31/2019 | 332 |
| Continuum of Care Program - Heartland Rapid Re-housing | 14.267 | Department of Housing and Urban Development | SD0023L8T001701 | 05/01/2018 - 04/30/2019 | 186,854 |
| Continuum of Care Program - Heartland Rapid Re-housing | 14.267 | Department of Housing and Urban Development | SD0024L8T001701 | 09/01/2018 - 08/31/2019 | 146,434 |
| Continuum of Care Program - Heartland Rapid Re-housing | 14.267 | Department of Housing and Urban Development | SD0023L8T001802 | 05/01/2019 - 05/31/2020 | <u>135,403</u> |
| Total Federal Expenditures CFDA 14.267 | | | | | <u>470,672</u> |
| Total U.S. Department of Housing and Urban Development | | | | | <u>1,771,765</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | |
| Planning Programs | 20.500 | South Dakota Department of Transportation | 811717 | 01/01/2019 - 12/31/2020 | <u>13,841</u> |
| Total Federal Expenditures Federal Transit Cluster | | | | | <u>13,841</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, 2019

| Federal Grantor/Program Title | CFDA Number | Fund Source/ Pass-Through Entity | Agency I.D. Number | Program Period | Federal Expenditures |
|--|-------------|---|--------------------|-------------------------|------------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION (Continued) | | | | | |
| Formal Grants for Rural Areas - Transportation | 20.509 | South Dakota Department of Transportation | 811633 | 10/01/2018 - 09/30/2019 | 76,886 |
| Formal Grants for Rural Areas - Training | 20.509 | South Dakota Department of Transportation | SD-2018-005 | 10/01/2018 - 09/30/2019 | 452 |
| Formal Grants for Rural Areas - Training | 20.509 | South Dakota Department of Transportation | 1160-2019-4 | 10/01/2018 - 09/30/2019 | <u>952</u> |
| Total Federal Expenditures CFDA 20.509 | | | | | <u>78,290</u> |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | South Dakota Department of Transportation | SD-2018-001 | 10/01/2018 - 09/30/2019 | 372 |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | South Dakota Department of Transportation | SD-2019-001 | 10/01/2018 - 09/30/2019 | <u>332</u> |
| Total Federal Expenditures Transit Services Program Cluster | | | | | <u>704</u> |
| Total U.S. Department of Transportation | | | | | <u><u>92,835</u></u> |
| U.S. DEPARTMENT OF THE TREASURY | | | | | |
| Volunteer Income Tax Assistance VITA Matching Grant Program | 21.009 | Rural Office of Community Services Community Action Program | 1VITA0114 | 08/01/2018 - 07/31/2020 | <u>20,551</u> |
| Total U.S. Department of the Treasury | | | | | <u><u>20,551</u></u> |
| U.S. DEPARTMENT OF ENERGY | | | | | |
| Weatherization Assistance for Low-Income Persons - Weatherization | 81.042 | South Dakota Department of Social Services | 19-0821-601 | 07/01/2018 - 06/30/2019 | 350,171 |
| Weatherization Assistance for Low-Income Persons - Weatherization | 81.042 | South Dakota Department of Social Services | 20-0821-601 | 07/01/2019 - 06/30/2020 | <u>180,306</u> |
| Total Federal Expenditures CFDA 81.042 | | | | | <u>530,477</u> |
| Total U.S. Department of Energy | | | | | <u><u>530,477</u></u> |
| 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 | 811633 | 10/01/2018 - 09/30/2019 | <u>6,483</u> |
| Special Programs for the Aging - Title III Part C - Nutrition Services Congregate Dining | 93.045 | South Dakota Department of Social Services | 9193-607-016 19 | 06/01/2018 - 05/31/2019 | 198,572 |
| 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 19 | 06/01/2018 - 05/31/2019 | 70,916 |
| Special Programs for the Aging - Title III Part C - Nutrition Services Congregate and Home Delivered Meals | 93.045 | South Dakota Department of Social Services | 9193-657-016 20 | 06/01/2019 - 05/31/2020 | <u>187,047</u> |
| Total Federal Expenditures CFDA 93.045 | | | | | <u>456,535</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, 2019

| 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) | | | | | |
| Nutrition Services Incentive Program | 93.053 | South Dakota Department of Social Services | 9193-607-016 19 | 06/01/2018 - 05/31/2019 | 87,828 |
| Nutrition Services Incentive Program | 93.053 | South Dakota Department of Social Services | 9193-657-016 20 | 06/01/2019 - 05/31/2020 | 45,912 |
| Total Federal Expenditures CFDA 93.053 | | | | | 133,740 |
| Total Federal Expenditures Aging Cluster (CFDA 93.044, 93.045, 93.053) | | | | | 596,758 |
| Low-Income Home Energy Assistance | 93.568 | South Dakota Department of Social Services | 19-0821-605 | 07/01/2018 - 06/30/2019 | 233,788 |
| Low-Income Home Energy Assistance | 93.568 | South Dakota Department of Social Services | 20-0821-605 | 07/01/2019 - 06/30/2020 | 27,148 |
| Total Federal Expenditures CFDA 93.568 | | | | | 260,936 |
| Community Services Block Grant | 93.569 | South Dakota Department of Social Services | 19-0821-609 | 06/01/2018 - 05/31/2019 | 696,659 |
| Community Services Block Grant | 93.569 | South Dakota Department of Social Services | 20-0821-609 | 06/01/2019 - 05/31/2020 | 324,418 |
| Community Services Block Grant Discretionary Awards | 93.569 | South Dakota Community Action Partnership | 90ET0461-02-01 | 09/30/2018 - 09/29/2019 | 9,688 |
| Total Federal Expenditures CFDA 93.569 | | | | | 1,030,765 |
| Child Abuse Challenge Grants | 93.590 | South Dakota Department of Social Services | 19sc086020 | 06/01/2018 - 05/31/2019 | 2,923 |
| Child Abuse Challenge Grants | 93.590 | South Dakota Department of Social Services | 20sc086020 | 06/01/2019 - 05/31/2020 | 1,051 |
| Total Federal Expenditures CFDA 93.590 | | | | | 3,974 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund - SFC | 93.596 | South Dakota Department of Social Services | N/A | 10/01/2018 - 09/30/2019 | 64,383 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Madison | 93.596 | South Dakota Department of Social Services | N/A | 10/01/2018 - 09/30/2019 | 4,934 |
| Total Federal Expenditures CCDF Cluster | | | | | 69,317 |

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, 2019

| 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-CH1048/05 | 02/01/2018 - 01/31/2019 | 903,582 |
| Head Start - T&TA | 93.600 | U.S. Department of Health and Human Services | 08-CH1048/05 | 02/01/2018 - 01/31/2019 | 8,141 |
| Head Start | 93.600 | U.S. Department of Health and Human Services | 08-CH010817-01-01 | 02/01/2019 - 01/31/2020 | 1,316,022 |
| Head Start - T&TA | 93.600 | U.S. Department of Health and Human Services | 08-CH010817-01-01 | 02/01/2019 - 01/31/2020 | 25,442 |
| Early Head Start | 93.600 | U.S. Department of Health and Human Services | 08-CH1048/05 | 02/01/2018 - 01/31/2019 | 962,613 |
| Early Head Start - T&TA | 93.600 | U.S. Department of Health and Human Services | 08-CH1048/05 | 02/01/2018 - 01/31/2019 | 14,548 |
| Early Head Start | 93.600 | U.S. Department of Health and Human Services | 08-CH010817-01-01 | 02/01/2019 - 01/31/2020 | 1,572,200 |
| Early Head Start - T&TA | 93.600 | U.S. Department of Health and Human Services | 08-CH010817-01-01 | 02/01/2019 - 01/31/2020 | <u>35,057</u> |
| Total Federal Expenditures CFDA 93.600 | | | | | <u>4,837,605</u> |
| Assets for Independence Act | 93.602 | Northeast South Dakota Community Action Program | N/A | 09/01/2014 - 09/29/2021 | <u>18,909</u> |
| Total U.S. Department of Health and Human Services | | | | | <u>6,818,264</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | Feeding South Dakota | Phase 35 | 09/01/2018 - 01/31/2019 | 21,619 |
| Emergency Food and Shelter National Board Program | 97.024 | Feeding South Dakota | Phase 35 | 09/01/2018 - 01/31/2019 | 247 |
| Emergency Food and Shelter National Board Program | 97.024 | Brookings United Way | Phase 35 | 09/01/2018 - 01/31/2019 | <u>2,811</u> |
| Total Federal Expenditures CFDA 97.024 | | | | | <u>24,677</u> |
| Total U.S. Department of Homeland Security | | | | | <u>24,677</u> |
| Total Federal Expenditures | | | | | <u>\$ 9,792,689</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, 2019

| Grantor/Program Title | Fund Source/ Pass-Through Entity | Agency I.D. Number | Program Period |
|--|--|--------------------|-------------------------|
| STATE AND LOCAL PROGRAMS | | | |
| ICARE | MidAmerican Energy | N/A | 01/01/2018 - 12/31/2018 |
| ICARE | MidAmerican Energy | N/A | 01/01/2019 - 12/31/2019 |
| VSN | United Way | N/A | 01/01/2018 - 12/31/2018 |
| City of Brandon Transit | South Dakota Department of Transportation | 811712 | 10/01/2018 - 09/30/2019 |
| East Dakota Transit - Madison | South Dakota Department of Transportation | 811630 | 10/01/2018 - 09/30/2019 |
| City of Dell Rapids Transit | South Dakota Department of Transportation | 811711 | 10/01/2018 - 09/30/2019 |
| Formula Grants for Rural Areas - State funds | South Dakota Department of Transportation | 811633 | 10/01/2018 - 09/30/2019 |
| Nutrition Services - State Funds | South Dakota Department of Social Services | 9193-607-016 19 | 06/01/2018 - 05/31/2019 |
| Nutrition Services - State Funds | South Dakota Department of Social Services | 9193-657-016 20 | 06/01/2019 - 05/31/2020 |
| Build Your Own House | Citibank | N/A | Indefinite |
| Homeownership Education Resource Organization (HERO) | South Dakota Housing Development Authority | N/A | 07/01/2018 - 06/30/2019 |
| Homeownership Education Resource Organization (HERO) | South Dakota Housing Development Authority | N/A | 07/01/2019 - 06/30/2020 |
| HOF Home Rehab | South Dakota Housing Development Authority | 2016-411 | 12/07/2015 - 12/06/2018 |
| Lake Area Recovery Network | Private Donations | N/A | Indefinite |
| Head Start Health | Private Donations | N/A | Indefinite |
| Care Mobile | Watertown Community Foundation | N/A | Indefinite |
| Transitional Housing | Watertown Community Foundation | N/A | Indefinite |
| Dakota Pride Scholarship | Dakota Business Finance | N/A | Indefinite |
| Neighborworks Lift | GROW SD | N/A | 11/02/2017 - 11/01/2019 |
| America's Farmers Grow Communities | Monsanto Fund | N/A | Indefinite |
| Various programs | Interlake's Area United Way | N/A | 01/01/2019-12/31/2019 |
| Various programs | Watertown Area United Way | N/A | 01/01/2019-12/31/2019 |
| Various programs | Brookings United Way | N/A | 01/01/2019-12/31/2019 |
| DISCRETIONARY | | | |
| Corporate Programs | Various | | 10/01/2018 - 09/30/2019 |

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.

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, 2019. 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 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 Community Action Partnership, 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, 2019.

Note C: Federal Loans Payable

Federal expenditures for the U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant program includes the balance of a loan outstanding. This particular loan was funded by a grant from 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 to finance eligible activities including the provision of housing to low income and homeless families. Annual principal payments of \$30,000 are due on this loan.

| | CDBG Loan |
|----------------------------|------------|
| Balance October 1, 2018 | \$ 900,000 |
| Repayments | (30,000) |
| Balance September 30, 2019 | \$ 870,000 |



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 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, 2019, 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 15, 2020.

Auditor's Responsibility

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 opinion 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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned cost as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inter-Lakes Community Action Partnership, 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*.



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 questioned costs. Inter-Lakes Community Action Partnership, Inc.'s response was not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 cursive script that reads "Wipfli LLP".

Wipfli LLP

January 15, 2020
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, 2019. 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 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 a legal determination on 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 its major federal programs for the year ended September 30, 2019.

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 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 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 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 15, 2020
Minneapolis, Minnesota

Inter-Lakes Community Action Partnership, Inc.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2019

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 | 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 Health and Human Services | |
| Low-Income Home Energy Assistance | 93.568 |
| 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, 2019

Section II - Financial Statement Findings

Finding: Development Fee Adjustment (2019-001)

Condition: During our audit Wipfli LLP proposed a significant adjustment to properly reflect the development fee activity related to the Horizon Place Apartments Limited Partnership, which we deem significant in relation to the financial statements. Since the internal controls of Inter-Lakes Community Action Partnership, Inc. did not include the adjustment as described above prior to the audit, a significant deficiency exists in the Organization's internal controls over this transaction in accordance with accounting principles generally accepted in the United States.

Criteria: 45 CFR Part 75 302, Uniform Administrative Requirements, and Audit Requirements for Financial Management and Standards for Financial Management Systems requires *effective control over, and accountability for all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for the authorized purposes.*

Cause: The internal controls of Inter-Lakes Community Action Partnership, Inc. did not identify the adjustment described above prior to the audit.

Effect: As a result of the financial reporting matter identified in the condition paragraph, a significant deficiency exists in Inter-Lakes Community Action Partnership, Inc.'s internal controls over financial reporting.

Recommendation: We recommend Inter-Lakes Community Action Partnership, Inc. implement procedures to provide sufficient internal control so that this type of activity is reviewed so that these transactions are recorded appropriately in accordance with accounting principles generally accepted in the United States.

View of responsible officials: Management agrees with the assessment and has committed to a corrective action plan.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Status of Prior Year Findings and Questioned Costs

None.