

Annual Financial Report

Prairie Five Community Action Council, Inc.
Montevideo, Minnesota

For the Years Ended
December 31, 2018 and 2017

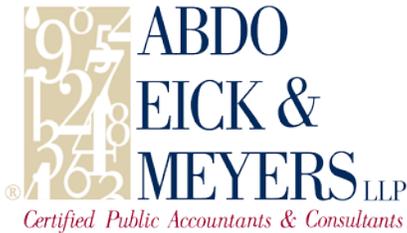
PRAIRIE FIVE COMMUNITY ACTION COUNCIL, INC.
MONTEVIDEO, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

Prairie Five Community Action Council, Inc.
Annual Financial Report
Table of Contents
For the Years Ended December 31, 2018 and 2017

	<u>Page No.</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statements of Cash Flows	9
Statements of Functional Expenses	10
Notes to the Financial Statements	11
Single Audit and Other Required Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	20
Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs	24



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prairie Five Community Action Council, Inc.
Montevideo, Minnesota

Report on Financial Statements

We have audited the accompanying financial statements of Prairie Five Community Action Council, Inc. (the Council), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of December 31, 2018 and 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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 the Council as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

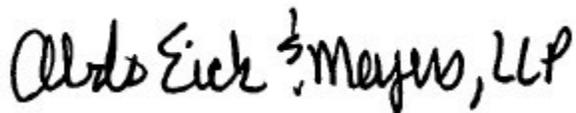
Other Matters

Supplementary Information in Relation to the Financial Statements as a Whole

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2019 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 3, 2019

FINANCIAL STATEMENTS

Prairie Five Community Action Council, Inc.
 Statements of Financial Position
 December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,200,909	\$ 2,687,319
Certificates of deposit	19,528	19,355
Grants and other receivables	1,614,606	901,009
Prepaid expenses	57,906	51,433
Inventories	8,915	12,370
Total Current Assets	3,901,864	3,671,486
Noncurrent Assets		
House held for sale	90,670	90,670
Property and equipment, net	678,465	442,496
Total Noncurrent Assets	769,135	533,166
Total Assets	\$ 4,670,999	\$ 4,204,652
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 264,580	\$ 163,643
Accrued expenses	309,047	283,346
Funds held for others	71,368	59,682
Total Current Liabilities	644,995	506,671
Noncurrent Liabilities		
Deferred revenue	91,473	92,961
Total Liabilities	736,468	599,632
Net Assets		
Without donor restriction	3,256,066	3,162,524
Without donor restriction, invested in property and equipment	678,465	442,496
Total Net Assets	3,934,531	3,605,020
Total Liabilities and Net Assets	\$ 4,670,999	\$ 4,204,652

The notes to the financial statements are an integral part of this statement.

Prairie Five Community Action Council, Inc.
 Statements of Activities
 For the Years Ended December 31, 2018 and 2017

	2018				
	Without Donor Restriction	Without Donor Restriction, Invested in Property and Equipment	Total Without Donor Restriction	With Donor Restriction	Total
Revenues					
Federal grant revenue	\$ 4,672,979	\$ -	\$ 4,672,979	\$ -	\$ 4,672,979
State grant revenue	3,349,833	-	3,349,833	-	3,349,833
In-kind contributions	215,983	-	215,983	-	215,983
Program service fees and other revenues	1,433,339	441,103	1,874,442	-	1,874,442
Total Revenues	9,672,134	441,103	10,113,237	-	10,113,237
Expenses					
Program services	8,760,696	178,877	8,939,573	-	8,939,573
Management and general	817,896	26,257	844,153	-	844,153
Total Expenses	9,578,592	205,134	9,783,726	-	9,783,726
Change in Net Assets	93,542	235,969	329,511	-	329,511
Net Assets, Beginning	3,162,524	442,496	3,605,020	-	3,605,020
Net Assets, Ending	\$ 3,256,066	\$ 678,465	\$ 3,934,531	\$ -	\$ 3,934,531

The notes to the financial statements are an integral part of this statement.

Prairie Five Community Action Council, Inc.
 Statements of Activities (Continued)
 For the Years Ended December 31, 2018 and 2017

	2017				
	Without Donor Restriction	Without Donor Restriction, Invested in Property and Equipment	Total Without Donor Restriction	With Donor Restriction	Total
Revenues					
Federal grant revenue	\$ 3,704,654	\$ 29,511	\$ 3,734,165	\$ -	\$ 3,734,165
State grant revenue	3,134,780	-	3,134,780	-	3,134,780
In-kind contributions	180,762	-	180,762	-	180,762
Program service fees and other revenues	1,623,654	214,679	1,838,333	-	1,838,333
Net assets released from restrictions	15,722	-	15,722	(15,722)	-
Total Revenues	8,659,572	244,190	8,903,762	(15,722)	8,888,040
Expenses					
Program services	7,780,307	159,282	7,939,589	-	7,939,589
Management and general	794,894	23,381	818,275	-	818,275
Total Expenses	8,575,201	182,663	8,757,864	-	8,757,864
Change in Net Assets	84,371	61,527	145,898	(15,722)	130,176
Net Assets, Beginning	3,078,153	380,969	3,459,122	15,722	3,474,844
Net Assets, Ending	\$ 3,162,524	\$ 442,496	\$ 3,605,020	\$ -	\$ 3,605,020

The notes to the financial statements are an integral part of this statement.

Prairie Five Community Action Council, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 329,511	\$ 130,176
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	205,134	182,663
Interest earned on certificates of deposit	(173)	(160)
Change in assets and liabilities		
Grants and other receivables	(713,597)	138,845
Prepaid expenses	(6,473)	(1,252)
Inventories	3,455	3,511
Account payable	100,937	(44,925)
Accrued expenses	25,701	16,673
Funds held for others	11,686	15,995
Deferred revenue	(1,488)	(1,128)
Net Cash Provided (Used) by Operating Activities	(45,307)	440,398
 Cash Flows from Investing Activities		
Acquisition of property and equipment	(441,103)	(244,190)
 Net Increase (Decrease) in Cash and Cash Equivalents	(486,410)	196,208
 Beginning Cash and Cash Equivalents	2,687,319	2,491,111
 Ending Cash and Cash Equivalents	\$ 2,200,909	\$ 2,687,319
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -
 Supplemental Disclosure of Non-cash Transactions		
Disposal of fully depreciated property and equipment	\$ 112,162	\$ 84,275

The notes to the financial statements are an integral part of this statement.

Prairie Five Community Action Council, Inc.
 Statements of Functional Expenses
 For the Years Ended December 31, 2018 and 2017

	2018		
	Program Services	Management and General	Total
Expenses			
Salaries, payroll taxes and fringe benefits	\$ 4,251,964	\$ 624,142	\$ 4,876,106
Supplies, telephone, postage and copies	360,761	52,956	413,717
Space and utilities (includes \$140,525 in-kind)	279,411	41,015	320,426
Equipment and maintenance	217,112	31,870	248,982
Travel and transportation	150,457	22,086	172,543
Participant benefits	3,188,798	-	3,188,798
Other costs and fees (includes \$75,458 in-kind)	312,193	45,827	358,020
Depreciation	178,877	26,257	205,134
	<u>\$ 8,939,573</u>	<u>\$ 844,153</u>	<u>\$ 9,783,726</u>
Total Expenses			
	<u>\$ 8,939,573</u>	<u>\$ 844,153</u>	<u>\$ 9,783,726</u>
	2017		
	Program Services	Management and General	Total
Expenses			
Salaries, payroll taxes and fringe benefits	\$ 4,167,371	\$ 611,724	\$ 4,779,095
Supplies, telephone, postage and copies	329,952	48,433	378,385
Space and utilities (includes \$113,451 in-kind)	239,770	35,196	274,966
Equipment and maintenance	203,134	29,818	232,952
Travel and transportation	158,599	23,281	181,880
Participant benefits	2,365,098	-	2,365,098
Other costs and fees (includes \$67,311 in-kind)	316,383	46,442	362,825
Depreciation	159,282	23,381	182,663
	<u>\$ 7,939,589</u>	<u>\$ 818,275</u>	<u>\$ 8,757,864</u>
Total Expenses			
	<u>\$ 7,939,589</u>	<u>\$ 818,275</u>	<u>\$ 8,757,864</u>

The notes to the financial statements are an integral part of this statement.

Prairie Five Community Action Council, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Prairie Five Community Action Council, Inc. (the Council) was chartered under the laws of the State of Minnesota on October 25, 1965, as a non-profit corporation. Through its mission of "Working together to strengthen the quality of life in our communities", the Council serves the unmet needs of the low-income, handicapped and elderly population in the counties of Big Stone, Swift, Chippewa, Lac qui Parle, and Yellow Medicine. The Council's support comes from program service fees and various government agency grants and it is tax exempt under Internal Revenue code 501(c)(3).

B. Financial Statement Presentation

For the year ended December 31, 2018, the Council adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. This ASU was applied retrospectively for the year ended December 31, 2017.

Net Assets Without Donor Restrictions

Those resources over which the Council has discretionary control. Designated amounts represent those revenues that the Board of Directors has set aside for a particular purpose.

Net Assets With Donor Restrictions

Those resources subject to donor imposed restrictions, which are satisfied by actions of the Council or passage of time, or are to be maintained permanently by the Council.

C. Basis of Accounting

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

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. All cash and investments are maintained at depository banks which are members of the Federal Reserve System. All deposits of the Council are protected by FDIC insurance or pledged securities.

F. Certificates of Deposit

The Council's certificates of deposit are held to maturity. These certificates of deposit mature at various dates.

Prairie Five Community Action Council, Inc.

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

G. Grants and Other Receivables

Grants receivable are due primarily from Federal, State and local governmental units and agencies and arise primarily from the Council's contracts with those agencies to administer various programs. All accounts receivable are considered collectible by management based upon history and assessed risk of collection; therefore, no allowance for doubtful accounts is presented.

H. Inventories

Inventories are comprised of raw food held at the Council's kitchen and food preparation locations. All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method.

I. Loans Receivable, House Held for Sale and Deferred Revenue

Loans receivable consist of loans made to individuals under the MURL housing program funded through the Minnesota Housing Finance Agency for the purchase, rehabilitation, and sale of homes to low and moderate income homebuyers. Due to the nature of this revolving loan fund, the amount of loans receivable at December 31, 2018 and 2017 of \$0 and \$2,291, respectively, is offset by deferred revenue.

During 2012, the Council received one home back from the homeowner and during 2017, the Organization legally cancelled one deed of contract. These homes are listed as House Held for Sale on the Statements of Financial Position in the amount of \$90,670 and \$90,670 for 2018 and 2017, respectively, and is offset by deferred revenue.

J. Property and Equipment

Property and equipment with an initial cost of \$5,000 or more are reported on the balance sheets and are stated at cost or fair market value at the date of acquisition or donation. Depreciation is computed using appropriate straight-line methods over estimated useful lives ranging from 5-15 years.

The property and equipment acquired is owned by Prairie Five Community Action Council while used in the program for which it was purchased or in other future authorized programs. However, the funding sources have a revisionary interest in the property and equipment purchased with grant funds; its disposition, as well as ownership of any proceeds there from, is subject to funding source regulations.

K. Impairment of Long-lived Assets

The Council reviews long-lived assets, including property and equipment and intangible assets, for any impairment whenever events or changes in business circumstances indicate the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of the asset. To date, there have been no such losses.

L. Accrued Expenses

Full and eligible part-time employees can accumulate between 120 to 520 hours of paid time off. Upon termination, resignation, or release from employment, accumulated paid time off will be paid. As of December 31, 2018 and 2017, the Council has a liability of \$309,047 and \$283,346, respectively.

M. Funds Held for Others

The Council acts as the fiscal agent for several organizations. Funds held for others are the excess of amounts collected from the organizations over amounts expended. The amounts collected and expended are at the direction of the organizations.

Prairie Five Community Action Council, Inc.

Notes to the Financial Statements

December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

N. Revenue Recognition

Revenues of the Council are largely derived from grant awards from various sources. Revenues from grants that are accounted for as exchange transactions are recognized as income when earned. Grants received in advance are reported as deferred grant revenue and recognized when related expenses are incurred. Amounts earned in excess of receipts are reported as grants receivable. Program income is recognized on the accrual basis. Non-cash, in-kind contributions are recorded at fair value when services have been rendered and space furnished and used.

O. Contributions

Contributions received are recorded as donor restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for non-donor-restricted use unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Council reports the support as being without donor restriction.

P. In-kind Contributions

Contributions of fixed assets are recorded at fair value of those items in the revenue and fixed assets of the programs for which they were received. Contributions of professional services, space, and materials are recorded in the revenues and expenses of the programs for which they were received. Many individuals volunteer their time and perform a variety of tasks that assist the Council with the various programs, but these services do not meet the criteria for recognition as contributed services. In-kind contributions, when recognized, are recorded at their fair value at date of receipt. Expenditures associated with in-kind contributions are recorded at the time the contributions are received.

Q. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

General and administrative costs, which benefit more than one program, are allocated to the various programs on the basis of the relative benefits received by each program, allocation methods comply with the requirements and limitations of the underlying grants.

Several cost center funds have been maintained by the Council for the purpose of financing common-type costs and expenses for its various programs. These costs and expenses are charged to those programs essentially on an actual cost basis; the direct cost allocation method is used to charge programs for costs and expenses.

R. Income Taxes

The Council is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been reflected in these financial statements. In addition, the Council has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Council files information returns in the U.S. federal jurisdiction and the State of Minnesota. With few exceptions, the Council is no longer subject to U.S. Federal, State, and local examinations by tax authorities for years before 2015.

The Council believes its informational filing positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material adverse effect on the Council's financial condition, results of operations, or cash flow from unrecognized tax benefits.

The Council recognizes interest accrued related to unrecognized tax benefits, if any, in interest expense and penalties in operating expenses. During the years ended December 31, 2018 and 2017, the Council did not recognize any interest or penalties.

Prairie Five Community Action Council, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

S. Subsequent Events

In preparing these financial statements the Council has evaluated events and transactions for potential recognition or disclosure through July 3, 2019, the date the financial statements were available to be issued.

Note 2: Property and Equipment

Property and equipment are summarized as follows as of December 31, 2018 and 2017:

	2018	2017
Equipment	\$ 80,943	\$ 80,943
Vehicles	1,824,926	1,495,985
Total Property and Equipment	1,905,869	1,576,928
Less Accumulated Depreciation	(1,227,404)	(1,134,432)
Property and Equipment (Net)	\$ 678,465	\$ 442,496

Depreciation expense was \$205,134 and \$182,663 for the years ended December 31, 2018 and 2017, respectively.

Note 3: Operating Leases

In July 2017, the Council signed a new copier lease with Bennett Office Technologies to begin in September 2017. The new lease will run for sixty months and require monthly payments of \$299 through September 2022.

The Council also leases office space on a month to month basis requiring quarterly payments of \$1,963. The Council also leases a postage machine for Pitney Bowes on a year to year basis with monthly payments currently totaling \$626 per month.

In November 2017, the Council entered into a lease beginning on June 1, 2018 for storage for their RIDES program vehicles. This obligation is for \$2,833 per month through May 2028.

Rent expense under these leases for both years ended December 31, 2018 and 2017 was \$38,783 and \$18,536, respectively.

Future rent payments for operating leases at December 31, 2018 are as follows:

Year	Amount
2019	\$ 21,766
2019	42,144
2020	41,385
2021	36,691
2022	34,000
Thereafter	150,167
Total	\$ 326,153

Prairie Five Community Action Council, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

Note 4: In-kind Contributions

The Council received the following in-kind contributions during the years ended December 31, 2018 and 2017:

	2018	2017
Services	\$ 75,458	\$ 67,311
Rent	140,525	113,451
 Total In-kind Contributions	 \$ 215,983	 \$ 180,762

Note 5: Expenses by Function

Expenses by function for the years ended December 31, 2018 and 2017 are as follows:

	2018		2017	
	Amount	Percent	Amount	Percent
Program Services				
Energy assistance and weatherization programs	\$ 668,970	6.8 %	\$ 567,194	6.5 %
Child care programs	2,415,001	24.7	1,775,987	20.3
Head Start	2,189,274	22.4	2,015,504	23.0
Housing programs	244,206	2.5	127,703	1.5
Food programs	959,436	9.8	1,054,298	12.0
Transportation programs	2,310,404	23.6	2,208,729	25.2
Emergency and other services	152,282	1.6	190,174	1.9
Total Program Services	8,939,573	91.4	7,939,589	90.4
 Management and General	 844,153	 8.6	 818,275	 9.6
 Total Expenses	 \$ 9,783,726	 100.0 %	 \$ 8,757,864	 100.0 %

Note 6: Net Assets with Donor Restriction

Net assets with donor restriction are available for the following purposes or periods:

	2018	2017
Donor Restricted Net Assets, January 1	\$ -	\$ 15,722
Releases from Donor Restricted Net Assets, Purpose Restriction Accomplished Transit (NonDOT)	-	(15,722)
Donor Restricted Net Assets, December 31	\$ -	\$ -

Prairie Five Community Action Council, Inc.

Notes to the Financial Statements

December 31, 2018 and 2017

Note 7: Retirement Plan

The Council, in a resolution adopted by its Board of Directors, established a retirement plan for its employees effective July 1, 1995. This Section 403(b) full service Thrift Plan is being administered by Mutual of America. All employees are eligible to make salary reduction contributions. Employees over the age of eighteen and completing one year of service with the Council are eligible for participation in the plan. The Council will contribute on behalf of each employee who has met the requirements for participation, an amount equal to 50 percent of the employee's contribution up to three percent of the employee's salary. Employer contributions for the year ended December 31, 2018 and 2017 were \$49,772 and \$41,254, respectively.

Note 8: Concentration

Substantially all support is received in the form of grants and contracts; therefore, the Council is dependent upon future funding. The Council receives grants and revenue from the U.S. Department of Health and Human Services passed through the Minnesota Board of Aging. The Council encounters a certain amount of credit risk as the result of a concentration of revenues from, and receivables from a few significant sources. A significant reduction in the level of support from these entities may have an impact on the Council's ability to continue its programs and services.

Note 9: Liquidity

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:

Cash and cash equivalents	\$ 2,200,909
Certificates of deposit	19,528
Grants and other receivables	<u>1,614,606</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,835,043</u>

As part of the Organization's liquidity management, we have a policy to structure our financial assets to be available for our general expenditures, liabilities, and other obligations where they come due. The Organization does not intend to spend any unappropriated amounts, however, if need be, additional funds could be made available if necessary for short term obligations for daily operations.

**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Prairie Five Community Action Council, Inc.
Montevideo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Prairie Five Community Action Council, Inc. (the Council), a Minnesota not-for-profit corporation, which comprise the statements of financial position as of December 31, 2018 and 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, and have issued our report thereon dated July 3, 2019.

Internal Control Over Financial Reporting

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

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

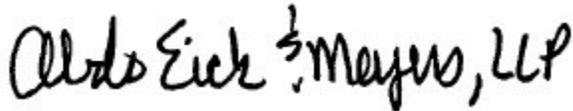
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant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

Compliance and Other Matters

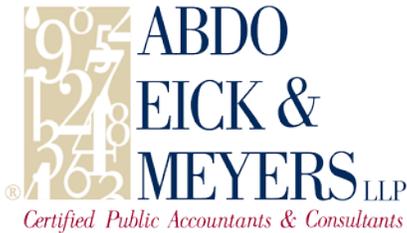
As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 3, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Prairie Five Community Action Council, Inc.
Montevideo, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Prairie Five Community Action Council, Inc.'s (the Council), a Minnesota not-for-profit corporation, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended December 31, 2018. The Council'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

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

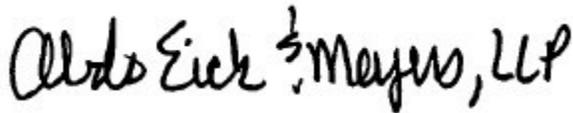
Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 3, 2019

Prairie Five Community Action Council, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total by CFDA Number</u>
<u>U.S. Department of Agriculture</u>			
Minnesota Department of Education, Food, and Nutrition: Child and Adult Care Food Program	10.558	1000003674	\$ 13,748
Minnesota Department of Human Services: Supplemental Nutrition Assistance Program, Outreach/Participation Program Total U.S. Department of Agriculture	10.580	GRK%133139	<u>31,310</u> <u>45,058</u>
<u>U.S. Department of Housing & Urban Development</u>			
Upper MN Valley RDC Community Development Block Grants/State's Program	14.228	CDAP-15-065-O-FY16; CDAP- 16-0032-O-FY17	112,733
Minnesota Department of Human Services Emergency Shelter Grants Program Total U.S. Department of Housing & Urban Development	14.231	GRK%126912	<u>12,941</u> <u>125,674</u>
<u>U.S. Department of Transportation</u>			
Minnesota Department of Transportation Formula Grants for Rural Areas Total U.S. Department of Transportation	20.509	1029477	<u>711,182</u> <u>711,182</u>
<u>U.S. Department of Energy</u>			
Minnesota Department of Commerce Weatherization Assistance for Low-Income Persons Total U.S. Department of Energy	81.042	110722-8157; 141983	<u>26,479</u> <u>26,479</u>
<u>U.S. Department of Health and Human Services</u>			
Aging Cluster			
Minnesota River Area Agency on Aging Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	316-18-00C1-034-00W-03; 316-18-00C2-035-00W-03	258,431
Nutrition Services Incentive Program Total Aging Cluster	93.053	316-18-00C1-034-00W-003; 316-18-00C2-035-00W-03	65,599 <u>324,030</u>
Minnesota Department of Commerce Low-Income Home Energy Assistance	93.568	1563; 125252; 141983; 3-11365	318,109
Minnesota Department of Human Services Community Services Block Grant	93.569	GRK%127530; GRK%138057	92,013
Minnesota Department of Human Services Child Care and Development Block Grant	93.575	GRK%131066	1,324,631
Head Start Total U.S. Department of Health and Human Services	93.600	N/A	<u>1,702,253</u> <u>3,437,006</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program Total U.S. Department of Homeland Security	97.024	N/A	<u>3,550</u> <u>3,550</u>
Total Federal Awards			<u>\$ 4,672,979</u>

See Notes to the Schedule of Expenditures of Federal Awards.

Prairie Five Community Action Council, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Council under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Council.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200.516(a), *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2018, the Council did not elect to use the 10% de minimis indirect cost rate.

Prairie Five Community Action Council, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	CFDA No.
Head Start	93.600
Aging Cluster	
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There were no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III - Major Federal Award Findings and Questioned Costs

There were no significant deficiencies, material weaknesses, or instances of material noncompliance, including questioned costs, that are required to be reported in accordance with the Uniform Guidance.

A Corrective Action Plan is not required as there were no findings required to be reported under the Uniform Guidance.

Section IV - Summary Schedule of Prior Audit Findings

Condition:

During our audit, it was noted that costs that had been recorded as administrative costs and submitted for reimbursement under the major federal program exceeded the allowable administrative costs noted in the grant agreement.

Recommendation:

We recommended to the Council that they ensure to properly track the administrative costs in the general ledger throughout the year and make sure at year-end that the costs submitted for reimbursement do not exceed the allowable administrative allowable amount.

Current Status:

No issues were noted during the current year in regards to administrative cost requirements related to the major programs.